

Convenience translation into English of Cellcom Israel Ltd.'s Annual Report for the year ending on December 31, 2025 ("Annual Report") filed with the Israeli Securities Authority, on March 18, 2026

In any case of inconsistency, the Annual Report in Hebrew shall prevail.



Cellcom Israel Ltd.

2025 Periodic Report

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Chapter A – Description of the Company’s Business

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1. Definitions

For the sake of convenience, the following are definitions of key terms appearing in this chapter:

“The Company” or “Cellcom”	- Cellcom Israel Ltd.
“The Group”	- The Company along with its subsidiaries.
“Bezeq” or “Bezeq Group”	- Bezeq the Israeli Communications Company Ltd. and its subsidiaries.
“Golan”	- Golan Telecom Ltd.;
“Dynamica”	- Dynamica Communications Chain Stores Ltd.
“The Financial Statements”	- The Company’s Consolidated Financial Statements as of December 31, 2025 included in Part C of this Periodic Report.
“Report of the Board of Directors”	- Board of Directors' Report on the State of the Company’s Affairs as of December 31, 2025 included in Chapter B of the periodic report.
“The 2023 Periodic Report”	- The Company’s periodic report as of December 31, 2024 as published on March 19, 2025 (reference no. 2025-01-018174), included in this report by way of referral.
“HOT Mobile”	- HOT Mobile Ltd. (of the HOT Group).
“Permit”	- The general permit applies to those who are registered in the registry by virtue of the registry regulations
“IRU Agreement”	- Wecom Mobile Ltd.
“Wecom”	- Wecom Mobile Ltd.
“Consumer Protection Law”	- The Consumer Protection Law, 1981 and resulting regulations.
“The Radiation Law”	- The Non-Ionizing Radiation Law, 2006.
“Planning and Construction Law”	- The Planning and Construction Law, 1965.
“Communications Law”	- The Communications Law (Telecom and Broadcasts), 1982
“The Electrical Economy Law”	- The Electrical Economy Law, 1996
“Securities law ”	Securities Law, 1968
“IEC”	- The Israeli Electric Corporation Ltd.
“IO”	- International Calls Service Operator (International Operator).

"MNO"	- Mobile Network Operator, cellular operator owning infrastructure and frequencies.
"Virtual Operator" or "MVNO".	- A licensed supplier who provides mobile telephone services provided over the telecommunications network of some other authorized supplier (meaning a cellular operator that has no network and frequencies and who purchases hosting services from some other operator or holder of infrastructure and MNO license).
"Registry"	- Registry of Bezeq communications services provider that needs to be recorded in accordance with the Communications Law.
"Meshek Energy"	- Meshek Energy – Renewable Energies Ltd.
"Cellcom TV", "Cellcom TV+"	- Over the internet television (OTT) including television channel broadcasts, video on demand (VOD) services and other advanced characteristics.
"Cellcom Energy"	Cellcom Energy (2023) Limited Partnership.
"Licensed Provider"	License holder or company listed in registry.
"Pelephone"	- Pelephone Communications Ltd. (of the Bezeq Group).
"Telegraph Order"	- The Wireless Telegraph Order [New Version], 1972.
"Partner"	- Partner Communications Ltd.
"End Equipment"	- Various types of mobile telephone devices, hands-free devices and various accessories (such as chargers, wireless earphones and more), tablets, mobile computers, modems, speakers, smart watches and other associated electronic products. In addition – IT and communications equipment (servers, routers, switches and more).
"Consolidated License"	- General license to provide telecommunications services that allows the provision of various types of services provided to Cellcom Partnership.
"Wholesale Market"	- As detailed in 22.6.2 below.
"Cellcom Partnership"	- Cellcom Fixed Line Communications L.P.
"IBC Partnership"	- IBC (Unlimited) Holdings Limited Partnership
"IBC"	- IBC Israel Broadband Company (2013) Ltd.
"Registry Regulations"	The Communications Regulations (Telecommunications and Broadcasts) (General Permit for the Provision of Telecommunications Services), 2022.

- "IIF"** - Israel Infrastructure Investments Fund 3 SM
- "GSM"** - Digital cellular network technology used in most countries around the world.
- "GPRS"** - Data communications standard on the GSM network that allows the transfer of content and internet access.
- "EDGE"** - Data communications standard on the GSM network, constituting an upgrade of the GPRS network.
- "HSPA"** - High speed packet access – a wireless cellular communications protocol intended for a regional communications network connecting urban networks and local networks.
- "HSPA+"** - An upgrade to HASPA technology.
- "IOT Solutions"** - Internet of Things solutions, which allow connecting various end user products to the internet, such as “smart city” solutions.
- "LTE"** - Long Term Evolution, Radio Technology Standard – mobile telephone (MNO) allowing high-speed data transfers.
- "OTT"** - Over The Top – technology using public internet infrastructure in order to provide video services upon demand.
- "UMTS"** - Universal Mobile Telecommunication System or the global cellular telephone system is one of the 3rd generation technologies of cellular telephony. HSPA technology on the UMTS network is one of the prominent standards of 3rd Generation.
- "VOB"** - Voice Over Broadband, IP telephone services on fixed line broadband access.
- "IP"** - Internet Protocol, which allows uniformity of voice, data and video services on the same network.
- "VOIP"** - Voice over IP, a general name for various technologies and methods for transferring speech over IP networks, such as the internet.
- "VOLTE"** - Voice over LTE, a technology that allows (for supporting devices) to make audio calls over 4th Generation network (LTE).

- "RSUs"** Restricted Share Units.
- "SAR Level"**
- Regarding mobile phones held by the body, the level of non-ionizing radiation emitted from the telephone is measured at the specific absorption rate in living tissue, the SAR index.
- "SDH"**
- Synchronous Digital Hierarchy, a technological standard for transferring data over optical media.
- "Carrier Ethernet"**
- A transmission network for transferring data using IP technology.

Part One: Description of the General Development of the Company's Business

This chapter presents a business description of the Company and Group and the development of its business in 2025 (“the Reported Period”). Express if noted otherwise, the data appearing in this report is accurate as of December 31, 2025.

1. The Group's Activity and a Description of its Business Development

1.1. General

Cellcom is a public company incorporated in Israel, the shares and securities of which are listed for trade on the Tel Aviv Stock Exchange Ltd. (“TASE”). Cellcom is an Israeli communications group that provides a wide variety of communication services in Israel, in two operating segments, the mobile operating segment, and the fixed line operating segment, and provides electricity supply services to private and business customers in Israel within the framework of an additional area of activity. The Group is the largest provider of cellular services in Israel with a significant presence both in the private segment and in the business segment. The Company was incorporated in Israeli as a limited shares company on January 31, 1994, and in February 2007 its shares were listed for trade for the first time on the New York Stock Exchange (“NYSE”), and in July 2007, in a dual manner, its shares were listed for trade for the first time on the TASE. Until 2021, the Company's shares were traded on the NYSE.

Over the course of its years of activity, Cellcom has led significant revolutions in the Israeli communications market, starting from breaking Bezeq's monopoly over the cellular market, to building a business transmission network, and presenting an innovative solution for internet-based television (OTT). Cellcom continued to develop and grow via mergers in the field of communications, key of which included: purchasing the fixed line activity of 013 Netvision Ltd. and merging into with the cellular activity to a communications group, investment along with IIF in IBC while reducing dependent on linear communications providers (Concurrently with the signing of the IRU agreement with IBC), purchasing Golan in 2020 and strengthening the Group's position as the country's largest cellular operator, the entrance of HOT as IBC partner as a lever for expansion and development of the fiber infrastructure and the network sharing agreement with Wecom, as detailed in this chapter below.

Subsequently, in 2022 Cellcom began its activity in the field of electricity, and in 2023 it entered into a founders' agreement to establish Cellcom Energy (in which the Company holds 50% of its issued share and paid-up capital), which is active in providing electricity to business and private customers in Israel.

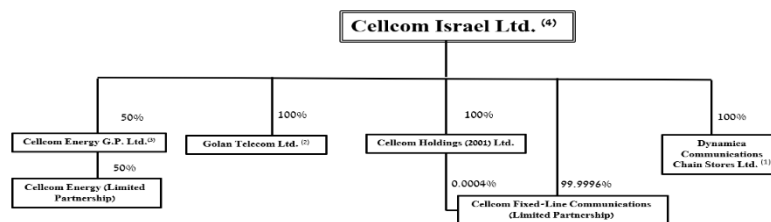
For details regarding the transaction for the sale of all of the Company’s holdings in IBC, which was completed in October 2025, and pursuant to which the Company received consideration in the amount of approximately NIS 520 million, see Section 18.1.6 below. On November 30, 2025, the Company submitted a non-binding indicative proposal to Altice International S.à.r.l. and HOT, for the acquisition of HOT’s business operations in the fixed-line communications segment. The proposal was submitted without any prior negotiations between the parties, and as stated therein (inter alia), it constitutes a non-binding indicative proposal, limited in time and based on various terms and assumptions, and is subject to the completion of due diligence and the reaching of agreements between the parties. It is clarified that this is a preliminary and non-binding proposal, and there is no certainty that it will mature into a binding offer and/or into negotiations in connection with a transaction and/or into a binding transaction (which would be subject, inter alia, to the receipt of regulatory approvals).

1.2. **Control of the Company**

The Company's controlling shareholder is FF6-Cell Limited Partnership, which as of the publication date of this report holds 33.20% of the Company's issued and paid-up capital and of its voting rights (constituting 31.72% of its capital and voting rights, fully diluted). The controlling shareholder of FF6-Cell Limited Partnership is Mr. Yuval Cohen, through Fortissimo Capital 6 Management (GP) Ltd. Fortissimo Capital 6 Management (GP) Ltd. is the general partner in FF6-Cell, Limited Partnership, as well as the general partner in the Partnership, as well as the general partner in Fortissimo Capital Fund 6 SM (“Fortissimo 6 Fund”). The Fortissimo 6 fund is a limited partner in FF6-Cell Limited Partnership and holds over 50% of its capital rights.

1.3. **Structure of the Group’s Material Holdings**

The following chart shows the structure of the Group's material holdings As of the publication of this report¹:



¹ On November 24, 2025, the Board of Directors of the Company resolved to proceed with the dissolution of the Cellcom Partnership and the transfer of all assets and liabilities of the Cellcom Partnership to the Company, all subject to the approval of the Ministry of Communications. There is no certainty as to the consummation (if at all) of the foregoing, inter alia, as it is contingent upon the receipt of the approval of the Ministry of Communications.

- (1) Dynamica sells and markets end equipment to private customers (end customers) and to business customers (end customers and points of sale) in Israel, including (a) cellular products, including smartphones, earphones, tablets, smart watches and complementary accessories; (b) additional electronic and electrical products such as computers, consoles and gaming accessories, audio, multimedia, gadgets, televisions, drones and vacuum cleaners. The products sold by Dynamica are mainly manufactured by Apple, Samsung and a number of other manufacturers such as Xiaomi, One Plus and more. For further details on the Group's agreements with Samsung and Apple, see Section 16 below. In addition, Dynamica provides warranty and repair services for end equipment.
- (2) Golan markets cellular services as well as international call services on the basis of Group licenses². For details, see Section 22.4.3.(2) below.
- (3) For details in Cellcom Energy and its activity, see Section 9 below.
- (4) The chart does not show the Company's holdings in CMG Network SM (“**the Joint Corporation**”) – the joint corporation through which Celcom and Wecom share their radio networks, held at equal shares (50%-50%) by the parties.

2. Areas of Activity

As of the publication of this report, the Group is engaged in the following three areas of activity:

2.1. Cellular Communications Segment

Within the framework of the Cellular Communications Segment, the Group provides a broad variety of cellular communications services in Israel, by virtue of a license granted it by the Ministry of Communications. In addition, the Group provides overseas roaming services to its customers and to customers of foreign operators visiting Israel. As of December 31, 2025, the Group provides cellular services to 3.661 million subscribers³, on a number of networks deployed across the country, which include calls, sending and receiving text messages (SMS, MMS), internet access and transferal of data over the internet and associated services⁴. In addition, the Group sells its customers (mainly through Dynamic) 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, to which the sharing agreement with Wecom applies (for details see Section 24.1 below). For further details on area of activity see Section 7below.

2.2. Fixed Line Communications Segment

Within the framework of the Fixed Line Communications Segment, the Group provides internet services, by virtue of a license provided to it by the Ministry of Communications

² Until December 2023, Golan operated as a licensed provider and provided cellular services as well as international call services by virtue of its listing on the Registry.

³ See definition in Section 3.2 of the Board of Directors Report.

⁴ It is clarified that not all networks and not all devices support all of the technologies and all of the services provided by the Group. In addition, there are services adapted to business customers.

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 Bezeq fiber optics and copper infrastructure within the framework of the wholesale market), TV services over the internet ("Cellcom TV" and "Cellcom TV+"), international fixed line 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 based on other operator infrastructure. The Group also provides additional services such as IOT solutions, integration and maintenance of information security solutions services, and server hosting services. In addition, the Group sells fixed line end equipment attributed to the linear communications field.

For further details on area of activity see Section 8 below.

2.3. **Electricity Supply Segment**

In July 2021, the Company received a license to provide electricity with no means of production from the Electricity Authority. As noted below, in 2022 the Group began its activity in the field of electricity supply, and in 2023 it entered into a founders' agreement to establish a joint venture with Meshek Energy, via joint holdings, in equal shares, of Cellcom Energy, to provide electricity to business and private customers in Israel. The license is for a 5-year period following the approval of the Electricity Authority from April 10, 2024, the license was changed to Cellcom Energy's name. Cellcom Energy is expected to submit an application to the Electricity Authority for renewal in the coming months⁵.

Within the framework of the electricity supply segment, the Group provides, via Cellcom Energy, electricity supply services to business and private customers in Israel (with the exception of the rural sector as detailed in 9.2 below), all in accordance with 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 transition to the market model and the opening of the electricity supply segment to private customers.

For further details on area of activity see Section 9 below.

⁵ The above information regarding the submission of an application to the Electricity Authority for the renewal of Cellcom Energy's electricity license constitutes forward-looking information, which may not materialize, or may materialize in a manner different from that described, due to factors beyond the Company's control.

3. Investments in Company Capital and Material Transactions with Its Shares by Interested Parties Over the Course of 2024, 2025 and Near the Publication of the Report

3.1. Transfer of Control of the Company

On December 18, 2023, following the execution of a memorandum of understanding between the parties dated December 4, 2023, Discount Investment Corporation Ltd. (the controlling shareholder of the Company at that time) reported that it had entered into an agreement with Fortissimo Capital Fund VI for the sale of its holdings in the Company's shares (approximately 35.57% at that time), for a total consideration of approximately NIS 925 million, reflecting a company valuation of NIS 2.6 billion (the "Agreement", the "Consideration" and the "Transaction", respectively). The consideration was linked to the Consumer Price Index, effective as of the end of three months from the date of execution of the Agreement.

The transaction was completed in May 2024, following the receipt of approvals from the Electricity Authority, the Competition Authority, and the Ministry of Communications. Upon the fulfillment of the conditions precedent for its completion, as part of the aforementioned approval of the Ministry of Communications, the relevant provision in the Company's license was amended so as to grant the Company a period of 45 days during which it was required to obtain a security directive in lieu of the Israeli ownership requirement (for details regarding the aforementioned Israeli ownership requirement, see Section 22.4.1(3)(b) below). On June 2, 2024, the Company received the aforementioned security directive.

3.2. Changes in Holdings of Interested Parties in Company Shares

3.2.1. On July 13, 2025, the Company reported that Fortissimo Capital Fund VI sold, in an over the counter transaction to an institutional investor, Company shares representing 1.79% of the Company's issued share capital. For the rate of Fortissimo Capital Fund VI's holdings in the Company's equity as of the date of publication of this report, see Regulation 21A in Chapter D (Additional Information about the Corporation) of this periodic report.

3.2.2. For additional details on changes in the holdings of interested parties in Company shares over the course of 2024, 2025 and As of the publication of this report, in stock exchange and over the counter transactions, see the Company's immediate reports.

4. Dividend Distribution

4.1. Dividend Distribution

4.1.1. In 2024 the Company did not distribute dividends to its shareholders.

4.1.2. On December 11, 2025, the Company distributed a dividend in the amount of approximately NIS 200 million, based on the Company's financial statements as of September 30, 2025. For additional details, see the Company's immediate report dated November 25, 2025 (Reference No.: 2025-01-091614) and the supplementary report thereto dated December 2, 2025 (Reference No.: 2025-

01-095776), which are incorporated herein by reference.

- 4.1.3. As of December 31, 2025, the Company has distributable profits (as defined in Section 302 of the Companies Law) to the sum of NIS 2,041 million.
- 4.1.4. On March 17, 2026, the Company declared a dividend to its shareholders in a total amount of NIS 200 million. The dividend payment date was set for April 16, 2026.

4.2. **Dividend Distribution Policy**

Until November 24, 2025 the Company had a dividend distribution policy according to which it will set a target of distributing at least 75% of its yearly retained earnings after tax to its shareholders, on a quarterly basis, so long as the distribution of dividends will not negatively impact the Group's cash needs and the plans approved by the Board of Directors, all subject to legal restrictions and contractual restrictions the Company has taken upon itself and/or will take upon itself (as detailed in 4.3 below). In spite of the above, the Company Board of Directors may, at its discretion, not distribute dividends or distribute dividends at amounts other than that noted above.

On November 24, 2025, concurrently with the adoption of the resolution regarding the dividend distribution referred to in Section 4.1.2 above, the Company's Board of Directors resolved to revoke the aforementioned policy. The Board of Directors of the Company will, from time to time, consider the distribution of dividends to the Company's shareholders, taking into account, inter alia, applicable law and the Company's business condition.

4.3. **Restrictions on the Distributions of Dividends**

For details on the Company's commitments to financing bodies and the holders of the Company's debentures to meet financial covenants and restrictions on distribution that may impact its ability to distribute dividends, see Section 19.4 below, and see the restrictions on equity within the framework of the MNO license in Section 22.4.1.(3) below.

Part Two: Other Information

5. Financial Information Regarding the Company's Areas of Activity

5.1. The following is monetary data on the Company by areas of activity for the year ending December 31, 2025 (NIS millions):

	Cellular Communications Segment	Fixed Line Communications Segment	Electricity Supply Segment	Adjustments to Consolidated*	Consolidated
External sales revenues	2,864	1,380	195	(195)	4,244
Revenues from other areas of activity	4	141	-	(145)	-
Total revenues	2,868	1,521	195	(340)	4,244
Costs not attributed to the revenues of some other area of activity	2,387	1,428	-	(195)	3,732
Costs constituting revenues by another area of activity	141	4	-	(145)	-
Total costs	2,528	1,432	194	(340)	3,815
Variable costs**	1,144	274	195	(195)	1,418
Fixed costs**	1,383	1,158	-	(145)	2,396
Total costs	2,528	1,432	194	(340)	3,814
Profit (loss) from activities	340	89	-	-	429
Adjusted EBITDA	911	494	1	(1)	1,405
Total assets	3,733	2,226	492	-	6,451
Total liabilities	(593)	(354)	(2,669)	-	(3,616)

* Adjustments to the consolidated figures arise from transactions between the various operating segments, as well as adjustments relating to the electricity supply segment, which is presented in the financial statements as losses of an associate.

** Variable costs are costs over which the Group has control in the short term and are also affected by revenue volume. Fixed costs are not flexible in the short term, and the Group will incur them even in the event of a decrease in revenues

5.2. **The following is monetary data on the Company by areas of activity for the year ending December 31, 2024 (NIS millions):**

	Cellular Communications Segment	Fixed Line Communications Segment	Electricity Supply Segment	Adjustments to Consolidated*	Consolidated
External sales revenues	2,940	1,504	77	(77)	4,444
Revenues from other areas of activity	10	139	-	(149)	-
Total revenues	2,950	1,643	77	(226)	4,444
Costs not attributed to the revenues of some other area of activity	2,551	1,519	83	(83)	4,070
Costs constituting revenues by another area of activity	139	10	-	(149)	-
Total costs	2,690	1,529	83	(232)	4,070
Variable costs**	1,303	422	83	(83)	1,725
Fixed costs**	1,387	1,107	-	(149)	2,345
Total costs	2,690	1,529	83	(232)	4,070
Profit (loss) from activities	260	114	-	-	374
Adjusted EBITDA	876	482	(6)	6	1,358
Total assets	3,707	2,250	-	547	6,504
Total liabilities	684	377	-	2,991	4,052

* Adjustments to the consolidated figures arise from transactions between the various operating segments.

** Variable costs are costs over which the Group has control in the short term and are also affected by revenue volume. Fixed costs are not flexible in the short term, and the Group will incur them even in the event of a decrease in revenues.

5.3. **The following is monetary data on the Company by areas of activity for the year ending December 31, 2023 (NIS millions):**

	Cellular Communications Segment	Fixed Line Communications Segment	Adjustments to Consolidated*	Consolidated
External sales revenues	2,875	1,523	-	4,398
Revenues from other areas of activity	15	142	(157)	-
Total revenues	2,890	1,665	(157)	4,398
Costs not attributed to the revenues of some other area of activity	2,583	1,482	-	4,065
Costs constituting revenues by another area of activity	142	15	(157)	-
Total costs	2,725	1,497	(157)	4,065
Variable costs**	1,319	566	-	1,885
Fixed costs**	1,406	931	-	2,337
Total costs	2,725	1,497	(157)	4,065
Profit (loss) from activities	165	168	-	333
Adjusted EBITDA	833	439	-	1,272
Total assets	3,739	2,211	670	6,620
Total liabilities	675	402	3,280	4,357

* Adjustments to the consolidated figures arise from transactions between the various operating segments.

** Variable costs are costs over which the Group has control in the short term and are also affected by revenue volume. Fixed costs are not flexible in the short term, and the Group will incur them even in the event of a decrease in revenues.

5.4. For the Board of Directors' explanations on the Company's monetary data as they appear in the Financial Statements, see the Report of the Board of Directors.

6. **General Environment and Impact of External Factors on the Group's Activity**

The following are factors in the macroeconomic environment that impact of may impact the Group's activity:

6.1. **Regulation and Dependence on Licenses or Permits**

The Israeli communications market is characterized by a high and dynamic level of regulatory involvement, regulatory changes may have a material impact on the Group's activity.

The Group's activity is subject, inter alia, to the regulation of the communications market that includes, inter alia, the provisions of the Telegraph Order, the Communications Law and resulting regulations (including the Registry Regulations), and the licenses granted the Group by the Ministry of Communications ("**the Communications Regulation**"). This regulation establishes, inter alia, terms and restrictions the Group must meet within the framework of its business activities. The Communications Regulation can be changed, including contrary to the Group's position. A violation of the Communications Regulation provisions may lead to the imposition of significant monetary sanctions on the Group and even (in cases of material violations) cancellation of the licenses or delisting from the Registry. In addition, the manner and effectiveness of the supervision of the Ministry of Communications on other operators active in the communications market also impacts the Group's activity and competition in the communications market. The Company's activity is also subject to additional laws, such as the Planning and Construction Laws (in all matters pertaining to establishing base sites and other facilities), the Radiation Law, competition law, securities laws, consumer laws, protection of privacy law, labor law (including the Collective Agreements Law, 1957) and the decisions of the relevant regulators and courts in each of these areas and more. For further details on restrictions and supervision of the Group's activity, including on the licenses granted the Group, including details on the reform in the Israeli telecommunications services licenses regulation, which transferred some of the elements providing telecommunications services from regulation via license to regulation by listing in the registry, see Section 22 below.

For details on regulations and licenses in electricity supply area of activity, see Sections 9.1.3 and 9.9 below.

6.2. **Competition**

The Group is active in a competitive market in all of its areas of activity. For further details, see Sections 9.1.8, 9.5 and 12 below.

6.3. **Technological Changes and Dependence on Technology**

The field of communications is a very dynamic and competitive field, characterized by a high rate of technological changes, which require proper preparation and high capital investments in communications infrastructure, in order to satisfy variable customer needs and preserve the competitive status of the players active in it. Accordingly, the Group needs to invest in advanced technologies in order to remain competitive. See Section 27.2.7 for further details. In addition, activity in the field of technology makes those active in it dependent on communications infrastructure, information systems and complex technological systems, with the absence of independent infrastructure meaning dependence on various infrastructure suppliers. Malfunctions in such technologies may have a negative impact on the Group's ability to provide services and products to customers, have a negative impact on the Group's reputation and expose it to lawsuits. For details on the technological changes and technological systems in the field of cellular communications and in the field of linear communications, see Section 7.1.4 and 8.1.3 below.

For further details on the Group's investment and the Group's dependence on infrastructure and networks see Sections 13.2 and 27.3.2 below.

6.4. **Environmental Risks**

For details on the possible impact of environmental risks on the Group's activity, see Section 21 below.

6.5. **Inflation and Interest Rates in the Economy, Currency Risks**

For details on the impact of inflation on the domestic and global economy, as well as the impact of changes in interest rates in the economy on the Group's activity, see Section 1.4 of the Board of Directors Report. For details in the Company's financial risk management (including interest and CPI and including currency risks), see Note 5 to the Financial Statements.

6.6. **Security situation**

For details on the impact of the security situation in Israel on the Group's activity, see Note 1.b to the financial statements.

Part Three: Description of Group Business by Operating Segment

7. Cellular Communications Segment

In addition to that detailed in Section 2.1 above, the following are trends, events and developments in the Group's macroeconomic environment that have or may have an impact on the field of cellular communications:

7.1. Structure of Area of Activity and Changes in Scope of Activity in the Field

7.1.1. General

The area of activity includes cellular communications service and associated services as well as sale of cellular end equipment, warranty and repairs for cellular end equipment, as detailed in 7.2 below. Cellular services are provided by MNO – infrastructure owners and MVNO – who are hosted on the MNO infrastructure.

In August 2020 the Group completed the purchase of Golan and strengthened its position as market leader in the mobile communications segment. In recent years, the cellular communications market was characterized by a high level of competition, which has led to the frequent and extensive movement of subscribers between the various cellular operators (mobility), which has led to the erosion of the average revenue of the Group for cellular subscribers and harmed the Group's profitability. During the years 2022–2023, there was a certain decrease in the volume of subscriber movement among the various cellular operators and a decrease in the churn rate; however, in the years 2024–2025, the volume of number portability increased year over year. For details regarding the development of the Group's average revenue per mobile subscriber (excluding interconnection fees⁶) in 2024 and 2025, see Section 3.2 of the Board of Directors' Report.

The cellular end equipment market is also still characterized by fierce competition between the various suppliers (cellular operators, importers, retail chains, other private shops, online trading sites and so on) selling cellular end equipment, including via private imports. In recent years and during the reporting period, in light of activity carried out by the Group to focus and expand its activity in the field, the Group managed to preserve its lead in end equipment activity relative to the other cellular operators (and has even

⁶ For details regarding the outline for the reduction of interconnection fees, see Section 22.3.1 below

increased such leadership), while continuing growth and increasing the operating turnover.

7.1.2. Restrictions, Legislation, Standards and Special Constraints Applying to the Field of Activity:

For details on regulatory restrictions applicable to the Company, including areas of cellular communications, see Section 22 below.

7.1.3. Developments in the markets of the field of activity or changes in the characteristics of its customers:

The cellular communications market is characterized by low growth rates, due to a saturation in the penetration rate⁷ and in mobility between various operators. In recent years, cellular communications became a central part of the day-to-day activity of private and business customers. Users are expanding their methods of use and have moved from using communications services mainly for phone calls, to constantly expanding use of communications services, mainly cellular internet use, use of applications, as well as connected end equipment (IOT). The Company believes that this trend will increase, particularly with the expanded deployment of the 5th Generation network and the development of 5th generation-based applications and uses.

7.1.4. Technological Changes that Could Affect the Field of Activity:

The cellular communications market is characterized by frequent and significant technological changes, which following which the cellular operators must make ongoing investments in development and in adjustments to advanced technologies. In recent years, there have been two key technological developments that may influence the area of activity as detailed below:

(1) Effective data traffic through upgrading and expanding the 4th Generation and 5th Generation networks –

Non-stop growth in the scope of cellular data traffic, which has been occurring in recent years on cellular and fixed line communications networks, has necessitated the upgrading and expansion of the network infrastructure in question and requires the purchase of increasing capacity in the supply of access services to the internet and to the Group's infrastructure. The Group estimates that the growth in data traffic on the one hand, will continue, inter alia, due to the developments in content services and high-definition TV based on internet communications, while

⁷ Penetration rate – the ratio between the total subscribers on the cellular market and the total Israeli population, not including foreign workers and Palestinians, although these are included in the number of subscribers.

also taking into account increased uses that require fast and efficient data traffic (including AI uses).

In order to meet the increased demand for cellular data traffic and in order to allow increased capacity and faster data transfers, the group is required, inter alia, to continue with its investments to upgrade and expand the deployment of 4th and 5th Generation networks (including supporting fixed line infrastructure) and their compatibility with the new frequencies allocated in the frequency tenders. For details on the construction and operation of the 5th Generation SA (standalone) network core, see Section 13.2.1.(d) below.

For further details on the Group's use of frequencies, the Group winning the 2020 tender, shutdown of 2nd Generation and 3rd Generation networks and the Ministry of Communications' requirement to change frequencies, see Section 14.5 below.

(2) Use of e-Sim Technology

E-Sim (Embedded Sim) technology, which has existed for a number of years, replaces the need to install a physical sim card on a cellular device and allows digital migration between operators. As of the date of publication of this report, the vast majority of mobile devices marketed in Israel support a combined solution (i.e., are not e-SIM-only devices).

. At the same time, over the course of February 2024, an e-SIM service was launched for cellular phones by the major communications companies (including the Company), however, As of the publication of this report, e-SIM technology is not commonly used in Israel. E-SIM technology allows subscribers holding e-SIM supporting cellular devices an alternative to the current method of purchasing local numbers from foreign operators (using the e-SIM technology) and is capable of substituting the purchase of roaming package from operators only with other external alternatives for Israeli customers travelling abroad. On the other hand, implementation of the technology among operators in Israel may make it easier to migrate cellular customers to these operators.

The Company estimates that increased use of the e-SIM technology may lead to the erosion of Company revenues from roaming services (for Company subscribers flying outside of Israel). At the same time, increased use of e-SIM technology may also serve as an element that will allow a certain increase in Group revenues, inter alia due to the increase in consumer awareness of the option to define a number of telephone lines in each mobile phone device, due to the potential savings in service costs in

connection with physical SIM cards (including costs involved in sending the SIM to subscribers), due to the decrease in cancellations of cellular line sales transactions (between the date of the engagement with the customer and the date of the transaction by operating the line purchased) as well as a potential increase in the Company's penetration rates and the options that will be opened to it in supplying roaming services in Israel (for subscribers outside of Israel entering into Israel).

As of the publication of this report, the Group cannot estimate when and to what degree the technology in question will become widespread among the Israeli public, and when and to what degree it will impact the scope of sales of roaming packages outside of Israel by Israeli communications services (including the Company). Accordingly, the Company cannot estimate the impact this will have (if any) on the market and on the Company's operating results.

- (3) The Company constantly examines the technology on the market and the need to upgrade its existing network technology, in accordance with competition in the field and the economic feasibility of upgrading technologies.

7.1.5. Critical Success Factors in the Area of Activity and Changes Occurring Therein

The Group estimates that the critical success factors in this area of activity are as detailed below:

- (1) National deployment of stable advance and high-quality cellular network, including the ability to maintain the network at a high level and make significant investments in the cellular infrastructure on an ongoing basis, are for the purpose of optimal coverage across the country and for the ability to offer high capacity for customers and allow technologically advanced services.
- (2) The ability to offer competitive prices and a variety of packages and pricing plans;
- (3) Broad and varied sales and distribution channels;
- (4) The ability to address the impact of regulatory decisions and changes;
- (5) High-quality, fair and efficient customer services, including the ability to offer technical support and customer services through varied channels, physical, telephone and digital (including self-service);
- (6) A well-known and leading branch;
- (7) Varied management of communications services for customers under one roof, and the ability to provide a comprehensive response to customers.
- (8) Professional and skilled personnel.

7.1.6. Primary Entry and Exit Barriers

According to the Group's estimates, the main entry barriers to the area of activity are:

- (1) The Competition in the Israeli cellular communications market and the saturation in the penetration rate in the industry. For further details see Section 12.3 below.
- (2) The need to receive a general license to provide cellular communications services from the Ministry of Communications, while meeting the conditions set in the Communications Regulation and the receipt of the right to use suitable frequencies from the State, which involves significant monetary costs;
- (3) The need for extensive financial measures and extensive information to make the significant investments needed in technological infrastructure, establishing a network and deploying sites across the country, an operations array, an extensive sales, support and array;
- (4) Burdensome regulation and supervision in the field of cellular communications compliance with which and with the changes made therein may require material investments and/or cause an erosion in revenues. For further details see Section 22.5 below as well as Section 22.2.1.(4) below regarding the 76th Amendment to the Communications Law which effected a reform in the regulation of licensing telecom services in Israel, which were transferred in part to the regulation via listing in the Registry (in lieu of a license).
- (5) The need to build base sites (also known as cellular antennas) across the country, which involves significant difficulties due to the need to locate and rent spaces for the construction of the base sites and licensing the sites which often encounters resistance from the local authorities in the areas of which the sites are built, and their residents. For further details (including the option of building base sites with exemption from permit) see Section 22.5 below.

Note that most of the entrance barriers described above, do not constitute an entrance barrier for a virtual operator, however one of the primary entrance barriers for virtual operators is engagement in a hosting agreement with a holder of an MNO license (for the use of a cellular network).

The Group estimates that the primary exit barriers from the area of activity are:

- (1) The approval of the Minister of Communications to halt providing services, which may be stipulated on the regulation of a continuation of the service given the customers of an operator seeking to exit the field;
- (2) The MNO license sets restrictions, inter alia, on transferring the shares of corporations holding this license and the transfer or lien of assets used by the Group to uphold the terms of the license (for details see Section 22.4.2 below);
- (3) Material investments that required extensive periods of time to repay the investment.

7.1.7. Structure of Competition in the Area of Activity and Changes Occurring Therein

For further details on the structure of competition in the field see Section 12.3 below.

7.2. **Products and Services**

As of this date, the group is the largest cellular services provider in Israel based on number of subscribers and estimated market share in accordance with the group's estimates. As of the report date, the Group provides cellular communications services to 3.661 million subscribers in Israel, which constitute a market share estimated at 32% of the cellular communications market.

7.2.1. The Group offers its subscribers a broad variety of services in this area of activity, including⁸:

- (1) Cellular call services in Israel (voice, including using the Wi-Fi Calling service) as well as associated services such as call waiting, caller ID, voice mail, follow me and conference calls;
- (2) Text (SMS) and multimedia (MMS) sending and receipt services.
- (3) Internet access and data communications services – internet services;
- (4) Roaming services for its subscribers while travelling abroad, as well as roaming services for visitors in Israel, which can make use of the Company's cellular network;
- (5) Added value services such as information security services, “Pleasant Wait” service (in which a different waiting sound is heard, as selected by the customer), personnel management applications, management of vehicle fleet and more;
- (6) IOT (internet of things solution – advanced solution is in the end to end IOT field (such as “smart city” solutions);

⁸ See Footnote 3 above.

(7) Warranty and repair services for cellular end equipment – in return for a monthly payment that grants the customer with a repair service and/or in return for a one-time payment during repair.

In addition, the Group regularly considers offering additional products and services to its customers and offers cellular subscribers a broad variety of packages and pricing plans.

The Group offers two methods of payment: prepaid and postpaid. Within the framework of postpaid payment, the subscriber provides a means of payment in the configuration of an order to charge a bank account or charge a credit card⁹. Prepaid expenses are generally paid by purchasing physical or virtual “Talkman” cards. Most of the Group’s sales in this area are made through postpaid payments. In accordance with the applicable communications arrangement, the cellular service plans do not include a commitment to purchase the Group’s services for a predefined period, except in connection with agreements with major business bodies. For further details on restrictions and supervision in the field of cellular communications see Section 22.5 below.

7.2.2. In accordance with the networks sharing agreement with Wecom, the Group provides domestic roaming services to Wecom as well as subcontractor services to the joint corporation. For further details on the sharing agreement see Section 24.1 below.

7.2.3. End Equipment

The Group sells over a variety of sales channels, including in physical shops and websites (mainly through the Dynamica chain, which constitutes the Group’s retail arm) a broad variety of cellular phones, associated accessories and additional electronic equipment, such as tablets, mobile computers, consoles and gaming accessories, speakers, earphones and smart watches. The Group offers a variety of payment plans for the end equipment in question. The proceeds are paid in a single instalment or in a number of installments, as chosen by the customer. Most of the Group's cellular telephone sales in 2024 and 2025 were from the Samsung and Apple brands (for details on the Group's agreements with Samsung and Apple, see Section 16 below).

⁹ In November 2025, the Communications Regulations (Telecommunications and Broadcasting) (General Permit for the Provision of Telecommunications Services) (Amendment No. 2), 2025 (the “**Regulations**”) entered into force. Pursuant thereto, inter alia, an authorized provider (being a license holder or a party registered in the registry, as such terms are defined in the Communications Law) shall not charge a private subscriber any fee in respect of payment by direct debit to a bank account. The Regulations further provide that an authorized provider may require a subscriber paying by way of direct debit to make such payment in advance of receiving the service, in accordance with the billing cycles offered to its subscribers.

7.3. **Breakdown of Revenues from Goods and Services**

The following is data on revenue from customers in the field of cellular communications, the rate of which constitutes 10% or more of the Company's total revenues (as presented in the Company's consolidated Financial Statements) for 2023, 2024 and 2025 (NIS million):¹⁰

	2025		2024		2023	
	Revenues	Rate *	Revenues	Rate *	Revenues	Rate *
Cellular Communications Services **	1,653	38.9%	1,741	39.2%	1,871	42.5%
End Equipment	1,095	26%	1,085	24%	898	20.4%

* Rate calculated from the Company's revenues in the Consolidated Financial Statements in each period.

** Due to revenues from Wecom as a result of the sharing agreement. For details see Section 24.1 below.

8. **Fixed Line Communications Segment**

In addition to that detailed in Section 2.2 above, the following are trends, events and developments in the Group's macroeconomic environment that have or may have an impact on the field of fixed line communications:

8.1. **Structure of Area of Area of Activity and Changes in Scope of Activity, Developments in Markets of the Field and Changes in the Characteristics of its Customers**

The area of activity includes variety of linear communications services, including internet services (access and infrastructure), OTT television services, domestic fixed line telephone services (domestic operator services) and international services (international carrier services), transmission services offered the Group's business customers and other communications operators (including international transmission services) and various communications solutions, such as IOT solutions, as well as the sale of end equipment in the area of activity, such as IT and communications equipment (servers, routers, switches and more), software and integration of information security products. For details see Section 8.2 below.

For details regarding a non-binding, indicative proposal submitted by the Company for the acquisition of HOT's business operations in the fixed-line communications segment, see Section 1.1 above

Communications operators who own a nationally-deployed fixed line infrastructure, such as Bezeq, provide, as a rule, communications services to their customers through their

¹⁰ Note that in terms of revenues, as of September 30, 2025, the Group is a market leader in the sale of end equipment in the field of cellular communications among cellular operators.

independent infrastructure, while communications operators who do not own such an independent national infrastructure, like the Group, also make use of the infrastructure of the infrastructure owners to provide their services, including within the framework of the services and rates provided within the framework of the wholesale market (for details regarding the wholesale market, see Section 22.6.2 below.)

. As noted, as a rule, the Group provides linear communications services to its business customers, through an independent infrastructure it owns alongside infrastructure from other operators – mainly Bezeq, which the services to its private customers are provided through IBC infrastructure as well as Bezeq infrastructure (within the framework of the wholesale market).

8.1.1. Restrictions, Legislation, Standards and Special Constraints Applying to the Field of Activity

- (1) **The Group's dependence on the owners of line-based infrastructure** – the Group is dependent on the owners of the IBC fixed line infrastructure (by virtue of the IRU agreements of the Group in IBC (see Section 18.1 below) and Bezeq (from which the Company purchases infrastructure lines (fiber optic and copper) within the Wholesale Market framework). See Sections 16.2.3.(2) and 16.2.3.(3) below for further details.
- (2) **Regulation** – for details on regulatory restrictions applicable to the Company, including areas of fixed line communications, see Section 22 below.

8.1.2. Developments in the markets of the field of activity or changes in the characteristics of its customers:

(1) **Internet**

This market includes internet access services and internet infrastructure. For details see Section 8.2.1(1) below.

The internet market has seen growth in recent years in the uses and levels of traffic of data transferred over communications networks.

As of the date of publication of this report, the HOT Group and the Bezeq Group are the only entities in the State of Israel that own a nationwide (or near nationwide) fixed-line infrastructure. Bezeq's infrastructure is based on the deployment of copper cables alongside fiber infrastructure, whereas HOT's infrastructure is based on cable networks alongside fiber infrastructure, by virtue of an IRU agreement with IBC (it should be noted that until October 31, 2025, upon completion of a transaction for the sale of the holdings in the IBC partnership by the Company, together with HOT

and IIF (in equal shares), HOT held interests in IBC). With respect to the copper and cable infrastructure, these companies are subject to a universal (or near-universal) deployment obligation.

It should be noted that on April 9, 2025, following a hearing published by the Ministry of Communications in July 2024 regarding policy principles for the gradual shutdown of copper networks and the cancellation of the universal service obligation in the copper network in three stages, the Minister of Communications' decision on the matter was published.

Pursuant to the decision, policy principles were set forth for the gradual shutdown of the copper networks of Bezeq and HOT, to be implemented progressively until their full shutdown by 2030, in favor of a complete transition from their copper infrastructure to the use of fiber infrastructure. Phase A addresses the granting of exemptions from copper deployment in new construction areas; Phase B addresses the gradual shutdown of the copper network after 85% of users in a given area receive services via fiber; and Phase C addresses the shutdown of the remaining copper network even if fiber-based service is not provided to 85% of users in a given area.

IBC has fiber optic based infrastructure in extended areas, which is mainly used by private customers. Part of it is spread out across the electric infrastructure of the Electric Corporation and some uses the wholesale market (through Bezeq physical infrastructure and some using HOT physical infrastructure).

For further details on the IRU agreement for the Groups' use of the IBC network, see Section 18.1 below.

The Group has a fiber optic infrastructure laid in Israeli industrial zones and business centers, which it uses to provide transmission and domestic operator services to business customers and communications operators as well as infrastructure between the Group's communications sites.

Note that partners also have a fiber-optic based infrastructure in select areas. In December 2022, Bezeq and Partner announced an agreement, according to which Partner had purchased indefeasible rights of use (IRU) for a period of 15 years for 120,000 lines of communications in structures connected to the Bezeq fiber optic infrastructure, with an option to extend to two additional periods of 5 years each. In accordance with Bezeq's and Partner's reports on the matter, the Ministry of Communications considers this agreement a shelf proposal for anyone interested in it. Note that in the amendment to this agreement, from September 2024 (as reported by the

parties), it was decided that Partner would be entitled to re-sell, rent and grant in any possible other way any rights to lines it has been given usage rights in accordance with the agreement, to a third party holding licenses and permits required by law for such use, with no need for additional payment or for Bezeq's consent.

The Bezeq Group has its own fiber optic network, which is expected, according to the obligations set in its licenses as well as according to the Minister's decision from February 2025 that allowed Bezeq to expand its service deployment areas, reach a deployment level of 88.42% of Israeli households until 2027. Bezeq began operating its fiber optic network (which it had deployed previously) in March 2021.

In January 2023 the Ministry of Communications announced that the deployment obligations of almost 100% of households were completed. In an additional notice dated January 2026, it was noted that as of that date, approximately 95% of households in Israel already have access to fiber-optic infrastructure.

In 2015 the wholesale market was officially launched in Israel in the field of internet infrastructure and to a degree also in the field of use of certain physical infrastructure by operators who are not infrastructure owners. The wholesale market allowed interest access providers who do not own internet infrastructure or internet service providers who have internet infrastructure without national deployment, compete with Bezeq and HOT (and subsequently – other operators as well) and provide packages of services that include access to the internet and internet infrastructure.

In spite of the fact that the wholesale market applies officially to the HOT Group infrastructure, the realization of the wholesale services over the HOT network has been delayed for various reasons, inter alia due to rates that are slightly higher than the retail rates over the Bezeq network. As of the publication of this report, the use the Group makes of wholesale services over the HOT network is negligible.

For details on additional developments in the wholesale market see Section 22.6.2 below.

For further details regarding the prices of wholesale internet infrastructure over the Bezeq network, see Section 22.6.2 below.

(2) Television Services

Until the Group entered the multi-channel television market in December 2014, the multi-channel television services market was controlled by HOT (a declared monopoly in this area) and YES (of the Bezeq Group), which provided television services using cable and satellite technology, respectively¹¹. Celcom was the first to present an innovative method of broadcasting television over the internet (OTT), which was a significant milestone in the development of the audiovisual market for the consumption of content over the internet. The Group's OTT service presented innovation in additional parameters including the option of viewing broadcasts over an application (without a converter), viewing a number of fixed and mobile devices at once, continuing viewing between devices, concentrated recording that allowed viewing content broadcast over commercial channels up to one week back ("Catch-Up") and more, alongside Israeli and international content and sports content. Since the Group presented OTT services in Israel, additional players have adopted the solution. In recent years, international suppliers of VOD over the internet have begun entering the market, such as Netflix and Disney, which market their services both directly to consumers and through collaborations with TV service providers. In addition, in April 2023 a multi-channel broadcast platform over the internet called Free TV was launched for the public, under the control of Keshet (for details see Section 12.4.2. below).

In November 2025, the Group launched the "Cellcom TV+" service, a platform featuring an innovative interface, including personalized profiles, parental controls, fast navigation with visual preview functionality, and additional features.

(3) Terrestrial Telephone (Domestic Provider)

The Group offers domestic terrestrial telephone services to business customers and terrestrial telephone services using VOB technology to private customers.

¹¹ In this regard, note that according to Bezeq's publications, by the beginning of 2026 YES was expected to complete its process of migrating from satellite broadcasts to broadcasts over the internet. As updated by Bezeq, YES has decided to continue its satellite broadcasts in a limited format focused on relevant audiences including institutional customers, until the end of 2028. As of June 2025, according to Bezeq's publications, the rate of YES subscribers making use of its ITT services (YES+ and STING+) is over 85% of its total subscribers.

(4) International Calls (International Carrier)

The international call services market is highly competitive, and the competition is largely based on the operator's ability to offer attractive pricing and services in a package combined with additional services, such as cellular services. In recent years, use of free communications technology and alternatives over the internet (such as VoIP) have reduced the telephony market and in particular the international telephone services and revenues from them. This trend is expected to continue in the future.

The Company's estimates regarding the trend of reductions in the telephony market and in particular in international telephone services and revenues from them as described above, constitute forward-looking information, as defined in the Securities Law. The Company's estimates may not be realized or be realized in part or in a different manner (including in a material manner) than described above. This, inter alia, due to factors and/or influences that cannot be estimated in advance, which include continuing and/or expanding the use of new free and alternative communications technologies over the internet.

8.1.3. Technological Changes that Could Affect the Field of Activity

The fixed line communications market, like the cellular communications market, is a dynamic field in light of the fast rate of technological changes and the high level of competition, which require suitable preparations and necessitate investment in advanced technologies in order to remain competitive. In recent years there has been a significant growth in fixed line data traffic, requiring the Group to make investment (including capacity expansion and upgrades, as well as investments in fiber-optic networks and infrastructure) and purchase capacity and higher rates for internet services (access and infrastructure) it offers. Naturally, the move to new technologies and the use of new equipment requires monetary investments and certain risks (connected, inter alia, to malfunctions and operating difficulties).

In order to meet the requirements for data traffic over the terrestrial network the Group has invested in upgrading and adapting its communications systems and connectivity with operators in Israel and abroad. In addition, the Company has invested significant resources in independent infrastructure deployment, and subsequently through IBC, in order to find better alternatives to purchasing infrastructure services. In recent years, IBC has undertaken actions to upgrade its network, while moving from GPON technology to XGS-PON technology,

which allows (inter alia) faster data downloads and uploads¹². For details on technological changes and dependence on technology as a risk factor in the Group's activity see Section 27.2.7 below.

8.1.4. Critical Success Factors in the Area of Activity and Changes Occurring Therein

The Group estimates that the critical success factors in this area of activity are as detailed below:

- (1) The ability to offer reliable and stable communications services at competitive prices, while adapting to frequent changes in the terrestrial communications market, with an emphasis on providing a response to the increasing need for broadband and data traffic rates;
- (2) Access to an advanced, broadly deployed and high-quality network, including the ability to decrease dependence on external terrestrial infrastructure owners.
- (3) The ability to deal with regulatory decisions;
- (4) Efficient and fast installation and connecting the infrastructure and associated equipment at the customer's house;
- (5) High-quality and efficient customer services, including the ability to offer technical support and customer services through varied channels, physical, telephone and digital;
- (6) The ability to offer a large variety of services for homes and businesses;
- (7) The ability to make material investments (including making payments of significant sums regarding the purchase of infrastructure lines in accordance with needs and demand, both by virtue of the IRU agreement with IBC and by virtue of the Wholesale Market);
- (8) Broad and varied sales and distribution channels;
- (9) A well-known and leading branch;
- (10) Professional and skilled personnel.

8.1.5. Primary Entry and Exit Barriers

- (1) According to the Group's estimates, in light of the option of acting as a supplier with no infrastructure, the main entry barriers to the area of activity are: At the same time, in order to operate in the area of activity, financial measures are needed (for the purpose of investments needed in connection with customer acquisition, installation at customer homes and required end equipment), and extensive knowledge for the purpose of

¹² PON is an access network architecture that is capable of providing broadband two-way communications to a large number of users, over shared passive optic infrastructure.

managing the operating array, the sales array, support and service. In addition, in order to operate as a supplier owning infrastructure in the area of activity, there need to be very high capital investments in infrastructure both for establishment and for maintenance, upgrading and ongoing operation.

Note that as of the publication of this report, the provision of television services over the internet does not require a license, but a need exists for significant financial resources, including the need to engage in agreements to purchase contents and technological infrastructure. For further details on the Communications Law Memorandum (Broadcasts), 2025, see Section 22.6.3 below.

- (2) The Group estimates that the primary exit barrier from the area of activity, with the exception in the matter of providing television services over the internet, is the approval of the Minister of Communications to cease providing services, which may be stipulated on the regulation of a continuation of the service given the customers of an operator seeking to exit the field;
- (3) The communications regulation sets restrictions, inter alia, on transferring shares in license holders and transferring or pledging used to uphold the terms of the license. See Section 22.4.2 for details.

8.1.6. Structure of Competition in the Area of Activity and Changes Occurring Therein

For further details on the structure of competition in the field see Section 12.4 below.

8.2. **Products and Services**

Within the field of terrestrial communications, the Group provides internet services that include internet access (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; and based on IBC's fiber optic), TV services over the internet (Cellcom TV+), international fixed line telephone services (international carrier services) and domestic services, (Domestic Provider services) and transmission services to business customers and for communications operators on the basis of the Group's independent infrastructure, which is mainly deployed between the industrial zones and business compounds, as well as on the basis of third party

infrastructure (mainly Bezeq¹³). The fixed line communications services are provided by virtue of a license or permit granted the Group from the Ministry of Communications (with the exception of OTT services that do not require a license). The Group also provides additional services such as IOT solutions, server hosting and backup services, alongside comprehensive communications services (for business customers). In addition, the Group sells fixed line end equipment attributed to the linear communications field (servers, routers and more), systems equipment (servers) and cybersecurity, including integration and ongoing maintenance.

The internet infrastructure services the Group provides private customers is based on Bezeq copper wholesale market infrastructure as well as fiber infrastructure, which is largely based on the IBC fiber optic infrastructure, and the remainder on the Bezeq wholesale infrastructure.

The Group offers its customers packages of the services in question, which include internet (access and infrastructure) and television services.

In accordance with the regulations in the industry, the service plans do not include a commitment to purchase the Group's services for a predefined period, except in connection with agreements with major business bodies. For further details on restrictions and supervision in the field of terrestrial communications see Section 22.6 below.

The Group considers and estimates from time to time the option of offering additional products and services to its customers.

8.2.1. The following is reference to the primary products and services within the framework of the area of activity:

(1) **Internet (Access and Infrastructure)**

The Group is a key supplier of internet services. The infrastructure supplier is responsible for connecting the customer from the "first socket" at the customer's home to the infrastructure. The internet access services provider is responsible for providing access to the internet to the customer, from the infrastructure supplier's infrastructure, over their network, to the local and global internet.

The Group provides internet services, including supplying and supporting end equipment, in a number of ways:

- a. Providing internet access services (ISP) without infrastructure services. Such sales in recent years have been made as part of a reverse bundle (infrastructure providers Bezeq and HOT marketed their infrastructure services along with the Group's internet access service).

¹³ Alongside the use of Bezeq infrastructure as noted, the Company also uses HOT infrastructure, at a negligible level.

In recent years, most activity has focused on access services along with internet services, and thus separate ISP sales have dropped significantly. Over the course of 2022 this method of sale was halted in light of the Ministry of Communications' decision to cancel the separation of broadband infrastructure services and internet service providers (ISP). Within the framework of this decision Bezeq and HOT were allowed to provide internet access services along with infrastructure services (for further details see Section 12.1.2 below).

- b. The Group provides internet services on the basis of Bezeq Group copper infrastructure (on the basis of the wholesale market) as well as over the IBC and Bezeq fiber optic network on the basis of the wholesale market. Note that over the course of 2022, following the Ministry of Communications' decision to cancel the policy and the existing separation between broadband infrastructure services and internet access services, which required that customers interested in connecting to the internet to purchase two complementary services for subscribers (business and private) in a private service configuration only, Cellcom offers new customers and internet package that includes both access and infrastructure.

In addition, the Group offers its internet subscribers added value services, which also include information security services, server hosting and backup services (for business customers) and comprehensive communications solutions (for business customers).

(2) OTT Multi-Channel Television Services

Starting December 2014, the Group has offered private customers multi-channel television services over the internet (OTT service) branded as "Cellcom TV+". The service offers a package that includes linear channel broadcasts and a free VOD library. In addition, customers can join a designated paid VOD library (SVOD), watch paid movies upon demand (TVOPD), join additional channels for additional pay (such as sports channels, channels in various languages and more) or join FAST channels containing commercials from time to time. The television service also includes other advanced services such as cloud recording and the catch up feature, which allow users to view content broadcast on service channels up to one week back (in accordance with agreements with holders of rights to the contents).

In December 2022, the Cable and Satellite Broadcasts Counsel approved the Company's listing in the Content Suppliers Registry in accordance with

the Broadcast Distribution Using Digital Broadcast Stations Law, 2012, in all matters pertaining to the Cellcom TV+ service.¹⁴

In December 2025, the Company launched its advanced television service, “Cellcom TV+”, which, in addition to existing features, includes also service of personal profiles, personalized recommendations, and more.

(3) International Carrier Services

Cellcom is one of the key players in the Israeli international carrier market. The primary service in this market is incoming and outgoing telephone calls with significant and broad global coverage. Cellcom mainly provides this service to post-paying customers but also to pre-paying customers, mainly through the sale of dialing cards. A significant portion of the customers paying in advance are foreign workers residing in Israel.

In addition, Cellcom provides hubbing services to international operators who are not Israeli operators, who bridge between two international operators, or more, who are not Israelis. Cellcom provides these services when there is no direct connection between the two operators in question or when the pricing differences in the various locations make the bridging services feasible.

(4) Domestic Terrestrial Telephone Services

The Group offers business customers advanced telephone services that include calls and data transfers and a cloud switchboard service. The Group also offers private customers basic terrestrial telephone services using VOB technology.

Terrestrial telephone services allow end users to make telephone calls to other end users using a terrestrial phone, cellular phone or computer, inside or outside Israel.

(5) Transmission Services

The Group provides its business customers and communications operators transmission and data communications services, from the north of the country to its southern border (on the basis of the Group’s independent infrastructure as well as through other suppliers), internet infrastructure and access services, including IPVPN (private network) service, as well as added value services and information security.

As part of the capabilities of the Cellcom Group, through agreements with undersea cable suppliers, international services are also provided, such as internet and data communications services according to its customers’ needs.

¹⁴ A content provider recorded in the registry in question is entitled to receive certification and a license to broadcast the contents of a body broadcasting over the internet.

(6) Internet of Things (IOT)

IOT technology allows connection between different physical installations and the internet. The Group, along with strategic partners, offers IOT solutions, mainly to business customers, based on a variety of communications solutions that include fixed line and cellular communications, command, control and management systems, including “smart city” solutions and remotely readable water meters.

(7) Hosting Solutions and Cybersecurity

The Group provides its business customers with hosting solutions on server farms alongside virtual cloud hosting solutions, including added value service (such as monitoring and control), information security services, and solutions (including system networking, cyber & information security). The Group specializes in end-to-end projects and accompanies its customers from the characterization stage, through installation and implementing solutions, to accompaniment, maintenance and ongoing support. In addition, the Group is active in the sale of associated equipment and maintenance and warranty services.

9. Electricity Supply Segment**9.1. General Information on Electricity Supply Segment**

The following are trends, events and developments in the Group’s macroeconomic environment that have or may have an impact on the field of electricity supply:

9.1.1. General

The Group began operating in the field of electricity supply in 2021 through a joint venture between the Company and Meshek Energy, and starting 2023 this activity is being carried out through Cellcom Energy, in accordance with a founders’ agreement between the Company and Meshek Energy for the establishment of Cellcom Energy on August 31, 2023 (“**the Founders’ Agreement**”) and in accordance with the first electricity purchasing agreements between the Company and Meshek Energy and bodies related to Meshek Energy (“**the Manufacturer**”) for Cellcom Energy, signed alongside the Founders’ Agreement (“**the First Electricity Purchasing Agreements**”). For further details on the Founders’ Agreement and the First Electricity Purchasing Agreements, see Section 9.10 below.

As of the report date, Cellcom Energy is active in this area of activity in purchasing electricity generated by private electricity producers from renewable energy generation facilities that include high voltage storage facilities, and the acquisition of availability certificates from facilities connected to the high-voltage network (where such availability certificates

enable Cellcom Energy to purchase electricity from Noga at wholesale market rates (SMP)).

and its sale by it as a virtual supplier for end users (both business and private consumers). In addition, Cellcom Energy provides services to its customers based on electricity purchased from private electricity producers. Cellcom Energy, which is a virtual electricity provider, operates by virtue of an electricity supply activity licenses from the Electricity Authority, and is responsible for setting the electricity price for the consumer, generating invoices and so on. The terms for receiving a supplier's license are set in the Electricity Economy Law and resulting regulations (see Section 9.9 below).

The electricity supplier is not responsible for the physical aspects pertaining to connecting the consumer to the power grid. Responsibility for the quality and reliability of the electricity, including treatment of breakdowns, is borne by the IEC, which holds a distribution license for most regions in Israel and constitutes the default supplier in the supply segment. As a rule, an electricity supplier is committed, by virtue of the licenses given them, to various debts including engaging with end consumers in agreements in various formats that determine, inter alia, the supplier's obligations toward consumers, the duration of the engagement, the price of electricity the consumer will pay the supplier, the manner the amount of electricity consumed by the consumer is determined, payment conditions and so on.

As detailed in Section 9.1.3 below, in light of the reform in the electricity market, the roughly 1.5 million home consumers in Israel with a smart meter, were joined by home consumers with basic meters who can move to the various private suppliers. This removed one of the key barriers that existed in the supply segment and the potential number of customers able to move increased significantly.¹⁵

The above in the matter of the feasibility of the increase in the potential number of customers that can perform mobility, constitutes forward-looking information, as defined in the Securities Law, which may or may not be realized or be realized in some other manner (including materially) from that described above, this, inter alia, due to factors and/or influences that cannot be estimated in advance including changes that may occur (if they occur) in the reform in the Israeli electricity market and additional regulatory changes that are not under the Company's control.

¹⁵ The data is in accordance with Electricity Authority data published pursuant to Resolution 68807.

9.1.2. Structure of Area of Activity and Changes Occurring Therein

- (1) The Electricity Authority is the element that regulates the provision of public services in the field of electricity and supervises them. The IEC is responsible for about one half of the electricity generated in the market and owns the power conduction and distribution grid. In recent years, the electricity market has been characterized by the entrance of private producers who generate electricity using various technologies as well as private parties for the power supply segment, including Cellcom Energy.
- (2) In June 2018 an Israeli Government resolution was passed on the subject of reforms in the electricity market and structural changes in the Electric Corporation, and in July 2018 the Amendment to the Electricity Market Law was published, implementing the principles of the government resolution in question (“**the Reform**”). The purposes of the Reform are, inter alia, streamlining the electricity market and encouraging competition in it, including opening the power supply segment to competition.
- (3) As part of the reform in the electricity market, the Electricity Authority established regulation for the power supply segment that encourages the entrance of private players in order to increase competition in the electricity market, in such a manner that allows consumers to engage with private suppliers as an alternative to engaging with the IEC. Within the framework of the market model arrangement (see below), the Electricity Authority decided that starting January 1, 2023, the power supply segment will be opened to full competition while removing the quotas set for this matter in the past and from the date in question the electricity supply license holders may attach electricity suppliers with no restrictions (with the exception of the existence of a smart electrical meter) and sell them electricity that the license holders will purchase from the system administrator. In September 2022 the Electricity Authority published a ruling on setting a market model that regulates the activity of generation and storage facilities in the distribution grid (“**Market Model Arrangement**”). The Market Model Arrangement allows, for the first time, the sale of electricity from electricity production facilities to private electricity suppliers in a bilateral manner (between a willing buyer and a willing seller), starting January 1, 2024. From this date, holders of electricity supply licenses may also purchase electricity from generation facilities connected directly to the distribution grid alongside continued purchase of electricity from the system administrator, via assigning a

specific facility to the holder of a specific electricity supply licenses, in accordance with the commercial agreed upon between them, subject to the relevant regulatory provisions.

- (4) A private virtual supplier is a body with no electricity generation capabilities, but which owns a license for electricity supply activity (after meeting the conditions set in the Electricity Economy Law and resulting regulations) and may offer to sell electricity to end consumers through them in lieu of purchasing it through the IEC (which currently constitutes a default supplier).
- (5) The purpose of introducing competition to the supply segment is to improve competition in the energy market, which until recently had been a very centralized market, transferring the benefit from the competition in the wholesale market to consumers, encouraging energy streamlining and improving service for consumers. The electricity rates suppliers charge from consumers are not set by the Electricity Authority, and suppliers are allowed to offer consumers various rate arrangements.

9.1.3. Restrictions, Legislation, Standards and Special Constraints Applying to the Field of Activity

- (1) In July 2021, the Company received a license to provide electricity with no means of production from the Electricity Authority. The license was used to provide electricity to customers within the framework of a joint venture (Cellcom Energy) from the Company and Meshek Energy. The license in question is for a 5-year period following the approval of the Electricity Authority from April 10, 2024, the license was changed to Cellcom Energy's name¹⁶.
- (2) In February 2022, the Electricity Authority decided to allow customers to order the installation of a smart electrical meter in return for a payment (starting from August 2022, subject to meeting certain conditions), and thus removed a barrier that had existed in the market. The Electricity Authority also made decisions on the move to a market model starting 2024 within the framework of which license holders are able to provide electricity with no means of production for the purchase of electricity from

¹⁶ The Company was informed that Cellcom Energy is expected to submit an application for renewal to the Electricity Authority in the coming months.

manufacturers using the market model, as an alternative to purchasing electricity from the System Administrator.

- (3) As noted, until June 2024, for a virtual supplier to engage with an end consumer, that customer needs to install a consecutive meter allowing offsite reading (“**Smart Meter**”). In light of the number of smart meters in the market, which is smaller than the number of potential customers, as a rule, the Electricity Authority is working to expand the deployment of “smart meters” in the Israeli economy, and as such in June 2023 it issued a resolution that includes a plan for the accelerated deployment of such meters. According to the Electricity Authority's resolution from April 2024 as updated in July 2024, in order to remove barriers and promote competition in the supply segment, starting July 2024 home consumers are able to engage with private suppliers and assign their meters to them even if they have basic meters, without being dependent on the installation of a smart meter. The decision in question arranges the process of the suppliers’ accounting with the System Administrator, and the System Administrator’s accounting with the IEC, with a home consumer without a smart meter joining the competitive supply segment. For basic meters, the supplier is committed in accordance with consumption assessments that Noga carries out for each consumer. The System Administrator conducts retroactive accounting against the suppliers on the basis of the meter read that will continue to be carried out by the IEC.
- (4) Starting July 2024, it became possible to file requests to assign consumers to suppliers in this manner without a smart meter as well, in such a manner that private households can engage with one of the companies providing electricity privately, even before a smart meter is installed. Mobility of basic meters shall be possible starting November 2024.

For details on regulatory restrictions applicable in the area of activity, see Section 9.9 below. For details on regulatory restrictions applicable to the Group as a wholesale Section 22 below.

9.1.4. Changes in Scope of Activity and Profitability of the Field

- (1) While the rate of entry of private electricity producers operating renewable energy generation facilities, including high-voltage storage facilities, remains moderate, the growth in demand for privately supplied electricity is increasing at a very rapid pace. As a result, a gap has emerged between the supply of competitive capacity and the demand for such capacity, inter alia, since a substantial portion of conventional power plants established in the past are obligated to sell their capacity exclusively to the system operator. This, in effect, limits the ability of private suppliers to contract

with additional consumers and to offer them competitive electricity prices and innovative service packages.

In order to significantly increase the supply of competitive capacity in the short and medium term, the Electricity Authority has decided to conduct competitive proceedings for the procurement of capacity from the system operator, in which only virtual suppliers will be permitted to participate. The winners of such competitive proceedings will be able to purchase availability directly from the system operator, and, corresponding to such availability, to procure energy at market price (SMP) instead of at supplier rates. On January 7, 2026, the Electricity Authority published a decision determining that, in the first competitive proceeding for the procurement of availability certificates, Cellcom Energy was awarded availability certificates in the amount of 25 MW.

- (2) The electricity rates electricity suppliers charge from consumers are not set by the Electricity Authority, and electricity suppliers are allowed to offer consumers various rate arrangements, including discounts on savings in electricity consumption during certain hours and/or on certain days.

9.1.5. Developments in the markets of the field of activity or changes in the characteristics of its customers:

The electrical supply to private and commercial customers market is as noted, a growing market, thanks to the reform in the electricity market as described in Section 9.1.2. above. The Company estimates that in coming years, the rate in which private and commercial consumers move to the consumption of electricity from the variety of electricity suppliers receiving the approval of the Electricity Authority to supply electricity, unlike the consumption of electricity from IEC alone.

The above in the matter of the increase in the movement rate of the consumers as noted above, constitutes forward-looking information, as defined in the Securities Law, which may or may not be realized or be realized in some other manner (including materially) from that described above, this, inter alia, due to factors and/or influences that cannot be estimated in advance including changes that may occur (if they occur) in the regulation in the Israeli electricity market and additional regulatory changes that are not under the Company's control, including changes in rates and rate structures.

9.1.6. Critical Success Factors in the Area of Activity and Changes Occurring Therein

The Group estimates that the critical success factors in this area of activity are as detailed below:

- (1) The ability to offer competitive prices and a variety of packages and pricing plans;

- (2) Broad and varied sales and distribution channels;
- (3) The ability to deal with the impacts of regulatory decisions and changes, including within the framework of agreements Cellcom Energy engages in for the purchase of electricity.
- (4) High-quality, fair and efficient customer services, including the ability to offer technical support and customer services through varied channels, physical, telephone and digital;
- (5) The Cellcom brand as a well-known and leading brand in a manner serving Cellcom Energy in the field of electricity supply as well;
- (6) Engagement in agreements to purchase electricity under good conditions;
- (7) Professional and skilled personnel.
- (8) The need for high-level financial measures.

9.1.7. Main Entry and Exit Barriers in the Area of Activity

According to the Group's estimates, the main entry barriers to the area of activity are:

- (1) Receiving a license to provide electricity from the Electricity Authority;
- (2) Engagement with an element operating in the production segment for the purpose of purchasing the electricity;
- (3) The need for high-level financial measures for the purpose of purchasing electricity and providing guarantees within the framework of the area of activity, alongside making investments that are also needed in connection with acquiring customers.

The Group estimates that the primary exit barriers from the area of activity are:

- (1) Long-term engagements with electricity manufactures may also constitute an exit barrier from the field;
- (2) Investments (that may be material from Cellcom Energy's point of view) that require time to repay the investment.
- (3) Restrictions that apply to the Company, set in the founders agreement for the establishment of the Cellcom Energy Partnership, on exiting and/or ending the Cellcom Energy Partnership before three years have passed from the receipt of the electricity supply licenses by Cellcom Energy.

9.1.8. Structure of Competition in the Area of Activity and Changes Occurring Therein

As noted above, until the implementation of the reform in the electricity market, the field of electrical supply for private consumers was concentrated exclusively at the IEC, and the competition segment was open to the supply of power to major customers only. Upon the start of the implementation of the reform in 2021, the power supply segment was opened for competition while

removing the quotas set for this matter in the past, and new competitors entered the area of activity operating by virtue of a license issued to them by the Electricity Authority to supply power to private consumers. In addition, the decision to allow home consumers to belong to private suppliers regardless of the installation of a smart meter that came into effect in July 2024, in such a manner that private households can engage with one of the companies providing electricity privately, even before a smart meter is installed, has increased competition in the area of activity even more.

Note that following the start of implementation of the market model arrangement in the distribution segment, the sale of electricity from renewable energy has also been possible through virtual suppliers to end customers. Accordingly, Cellcom Energy entered into electricity purchasing agreements with renewable energy manufacturers.

The Company estimates that competition in the area of activity is expected to increase in coming years. For further details on the structure of competition in the field see Section 9.5 below.

9.2. **Products and Services in the Area of Activity**

As of the Publication of this report, the Company offers within the framework of the area of activity, electricity supply services to business and private consumers (with the exception of the rural sector¹⁷). These services are provided by Cellcom Energy, which deals in marketing, sales and supply of electricity to business and private consumers.

This activity is carried out by Cellcom Energy in order to establish its position as a significant player in the field of virtual supply in the home and business segment, inter alia by taking advantage of the relative advantage of Cellcom as a major and well-known Israeli branch and of Meshek Energy as an energy producer. As part of the implementation of Cellcom Energy's business plan, over the course of 2024 and 2025 sales and service processes were established and implemented and a technological infrastructure was established.

The Company estimates that Cellcom Energy offers an innovative and attractive value offer for Company customers that will help establish its position as a leading player in the field of electricity supply for business and private consumers.

9.3. **Customers in the Area of Activity**

As noted, the Group's customers in the area of activity are from the private segment and the business segment.

¹⁷ "The Rural Segment" – kibbutzim and collective moshavim (including central organizations such as purchasing organizations of kibbutzim and collective moshavim), factories operating on Kibbutz or Moshav land, and corporations in which a kibbutz or moshav hold at least 26% of their issued capital, as well as other rural towns determined by consensus.

As of the report date, the Group is not dependent on any specific customer the loss of whom will have a material impact on its area of activity.

9.4. **Marketing and Distribution in the Area of Activity**

The Group provides within the framework of the area of activity, marketing and distribution services for Cellcom Energy, in accordance with Cellcom Energy's marketing strategy. For further details on the marketing and distribution activity of the entire Group, see Section 11 below.

9.5. **Competition in the Area of Activity**

As noted above, upon the opening of the electricity supply market to private customers, so that the IEC is no longer the sole competitor in the field, new competitors have begun to join the electricity supply segment in recent years.

The Israeli market currently features a number of competitors active in the field of electricity supply, including private producers that also hold, in addition to a production license, a supply license that allows them to serve both as suppliers to end consumers, as well as provide suppliers with no means of production. As of the report date, the Company estimates that the market share of Cellcom Energy out of the entire electricity supply marketing is not material, with the IEC remaining the central electricity supplier in the field, and in addition to it there are tens of virtual suppliers with a supply license, and the Company estimates that there are 6 additional virtual suppliers active in selling to home end consumers. In addition, a larger number of virtual suppliers and private electricity producers are active in the sale of electricity to business customers.

According to the reform in the field of electricity, the IEC will be able to compete with the virtual suppliers after its market share drops below 60% among home consumers in the low voltage segment.

To the best of the Company's knowledge, key competitors in the area of activity include companies in the field of energy and electricity producers such as Shikun & Binui Energy, OPC Energy, Durad Energy, as well as communications companies and gas companies such as Supergas (former Electra) Power, Pazgas, Amisragas Electricity and communications companies like Partner Power, HOT Energy, Bezeq Energy.

In order to deal with competition in the area of activity, Cellcom Energy offers various plans for its private customers at various discount rates that vary by hours of energy consumption adapted to the customers' various characteristics. Concurrently, Cellcom Energy engages with production facilities in the distribution grid that allow it to make the cost of purchasing electricity for its consumers lower. In the past two years, the IEC has provided a largen number of positive distributor answers (in full and/or in part) for the construction of additional production facilities on the distribution grid. The Company

estimates that this increase, which will be expressed in coming years, will allow Cellcom Energy to engage in additional agreements to purchase electricity at attractive prices. On the other hand, the supplier's margin is significantly impacted by regulatory steps pertaining to the weighted production component price and network and system administration costs. An increase in the costs of network component and system administration has a negative impact on the supplier's margin as Cellcom Energy provides its private customers with a discount from the base rate that includes the network component and the system administration transferred to Noga. A drop in the production component rate may harm the margins and engagements of Cellcom Energy with generation and storage facilities.

9.6. **Seasonality in the Area of Activity**

Electricity production costs vary significantly between peak hours and nadir hours, as well as between seasons of the year. The profitability created for Cellcom Energy from home customers who pay a uniform rate for all hours of the day and all seasons of the year varies over the course of the year (for example, there is a difference between such profitability during peak hours in the summer and profitability in nadir hours or during the spring/fall). Cellcom Energy's ability to make money from the area of activity has a material dependence on its ability to efficiently manage its sources of production so that these lead to a decrease in costs in periods in which the cost of production in the economy is high. Among business customers who pay an energy demand management rate that varies across the hours of the day and the seasons of the year, Cellcom Energy's ability to make money from the area of activity depends on its ability to create alternative sources of production for itself that are cheaper than buying from the System Administrator.

9.7. **Intangible Assets in the Area of Activity**

9.7.1. Cellcom Energy has an electricity supply license as detailed above. The following are the key points of the license:

- (1) The license allows the sale of electricity to consumers the location of the consumption of whom has a continuous meter installed that allows the reading and broadcast of consumption data at a semi hourly level at least or some other meter decided in accordance with the law. In addition, starting July 2024 the sale of electricity to consumers with a basic meter has also been possible.
- (2) The license owner shall purchase, in accordance with the Electricity Market Rules (Criteria for the Level and Quality of Service Provided by a Vital Service Provider), 2018 ("the Criteria"), for the purpose of selling to its consumers.

- (3) The license holder shall produce invoices, collect payments from its consumers and transfer payments to the System Administrator in accordance with the rates set by the Electricity Authority for services consumed by its consumers.
- (4) The license holder shall engage in an engagement agreement with a consumer to provide the service that will be prepared and compatible with the directives detailed in the license.
- (5) The Electricity Authority may alter the terms of the License, add to them or detract from them.
- (6) A license holder shall provide autonomous bank guarantees to the State and collateral to the System Administrator as set in the Criteria.

9.7.2. For details on the intangible assets of the Group as a whole, see Section 14 below.

9.8. **Raw Materials and Suppliers in the Area of Activity**

9.8.1. As noted above, the Company is active in the field of electricity supply to private and business customers through Cellcom Partnership, As of the publication of this report, Cellcom Energy is dependent on the electricity producers it engaged with for the purpose of providing the electricity. In addition, Cellcom Energy is dependent on various operational services provided by the Company, in return for non-material sums.

9.8.2. **Engagement in Agreements to Purchase Electricity Within the Framework of the Market Arrangement Model**

In 2024 Cellcom Energy engaged with various manufactures, including with Meshek Energy (through related bodies) in a number of agreements to purchase electricity from combined photovoltaic and storage agreements. Within the framework of the agreements to purchase electricity, Cellcom Energy purchases all of the electricity produced at the relevant facility for the engagement period, which may be short term (a certain month or number of months) and may be long term (20 years). Pursuant to these agreements, the producers undertake to sell Cellcom Energy all of the electricity flowing into the grid from the solar installation as well as all of the storage capacity from the facilities in question. For further details see Section 9.10.2 below.

9.8.3. These engagements join additional engagements of Cellcom Energy with private electricity producers, to whom Cellcom Energy provides a service envelope (for further details see Section 9.11 below).

9.8.4. In order to guarantee Cellcom Energy's obligations within the framework of the electricity sales agreements, the Company and Meshek Energy provided parent company guarantees to the producers. For details on these guarantees, see Note 31.b.2.b to the Financial Statements.

9.9. **Restrictions and Supervision of the Company's Activity in The Area of Activity**

- 9.9.1. The Electricity Market Law – the Electricity Market Law includes, inter alia, directives referring to the regulation of the activity of electricity suppliers and directives referring to the Electricity Authority, its composition, authorities and duties. The actions set in the Electricity Market Law shall be carried out subject to the receipt of a license in accordance with the Electricity Market Law, and the license holder shall act in accordance with the terms of the license, the decisions of the Electricity Authority and the Criteria.
- 9.9.2. The Electricity Regulations – License – these regulations arrange the subject of licensing for the purpose of activity in the electricity market in Israel. The regulations include, inter alia, directives regarding the various details that need to be included in a request for a supply license, the terms for issuing a license and ways of choosing between license applicants, supervision of the activity of a license holder and the license holder's reporting obligation.
- 9.9.3. The Criteria – the Criteria are established by the Electricity Authority and come to regulate the reciprocal relationships between the vital service provider and its customers, and between virtual suppliers and their customers, inter alia by way of detailing the parties' debts and rights. The Criteria regulate the level and quality of service provided by service supplier license holder as well as the electricity purchase rates of virtual suppliers from the System Administrator and the method of sale to consumers.
- 9.9.4. The Consumer Protection Law – upon the entrance into effect of the 57th Amendment to the Consumer Protection Law, which applies to the holders of the power supply license, Cellcom Energy is responsible for providing its customers with a personal response in accordance with the timetables set in the Consumer Protection Law (and in the decisions of the Electricity Authority in this matter) from the three subjects defined in the law in question (malfunctions, billing inquiries, and end of engagement). Violation of the amendment in question may lead to the imposition of monetary sanctions.

9.10. **Cooperation Agreements in the Area of Activity**

- 9.10.1. Engagement in Founders' Agreement
- (1) On August 31, 2023 the Company entered into a founders' agreement with Meshek Energy (“**the Founders' Agreement**”) to establish a limited partnership (“**Cellcom Energy**” or “**the Partnership**”) intended to operate in the field of marketing, sale and supply of electricity to home and business consumers (with the exception of the rural sector and certain activities as agreed upon by the parties, regarding which each of the parties may operate independently). For this purpose, over the course of the second quarter of 2024 the Company transferred the electricity supply licenses without the

means of production it received from the Electricity Authority to Cellcom Energy (“**the License**”).

Cellcom Energy as well as the company of the general partner of Cellcom Energy are held at equal shares (50%-50%) by the parties.

- (2) In accordance with the business plan approved by the parties as part of the Founders’ Agreement (“**the Business Plan**”), each of the parties shall provide the partnership, according to their relative share of the Partnership's capital, the sums of financing detailed in the business plan (including budget updates, if any, that will be approved over the course of the business plan period, which is for 5 years starting January 1, 2024). This financing may be in the form of capital injection, the provision of shareholders’ loans, raising credit as well as providing guarantees and securities, all in accordance with the business plan and as determined by the general partner. In addition, provisions were established for additional financing, inasmuch as will be required by the partnership as decided by the general partner, as well as a dilution mechanism for cases in which a certain party had not provided their share of the financing sums.
- (3) The parties undertook, so long as they hold a 25% or greater stake in the partnership’s capital, 25% or more of the share capital of the general partner, or they will be entitled to appoint a director in the general partner, they will operate in the cooperation field through Cellcom Energy only, with certain exceptions agreed upon by the parties.
- (4) In order to advance the activity of Cellcom Energy, it was agreed that the Company would provide services to the Partnership, primarily in the field of sales and customer management, within the framework of a service agreement between the parties; it was also agreed that Meshek Energy would sell Celcom Energy electricity from Meshek Energy facilities (and those of related bodies) which are solar facilities featuring storage, under terms the key of which will be detailed in 9.10.2 below.

In addition, Cellcom Energy shall have the right of first bid for proposals to purchase electricity from solar facilities featuring storage that will be built by Meshek Energy and related parties (if they are built) on dates agreed upon in the Founders’ Agreement and in accordance with the mechanism set in it. Against this, Meshek Energy (and related bodies) shall have the right of first bid for proposals to supply electricity in any proceeding conducted by Cellcom Energy to purchase electricity, in accordance with the mechanism set in the Founders Agreement. The above

rights of first bid shall be in effect so long as the Company or Meshek Energy, as the case may be, hold at least 30% of Cellcom Energy.

- (5) Starting from the establishment of Cellcom Energy and up to December 31, 2028, the Company (so long as it holds at least 50% of the rights of Cellcom Energy and the shares of the general partner) shall have the right to appoint the Chair of the Board of Directors and the Chair of the General Meeting of the general partner of Cellcom Energy, the Chair in question shall have the deciding vote on certain issues determined by the parties, in accordance with and subject to the mechanism regulated by the parties (“**the Deciding Vote Mechanism**”). The Deciding Vote Mechanism shall be extended automatically for additional periods of 5 years each unless use is made during the period in question, more than twice, of the Deciding Vote Mechanism, subject to the approval of the business plan by the parties for each additional period.
- (6) Within the framework of the Founders’ Agreements, restrictions were placed on the transfer of rights in Cellcom Energy and in the general partner's company including that all work needs to be for the full rights of each party, and a right of first rejection was established that may be activated after a certain amount of time has passed from the date the license was received by the partnership as defined in the agreement. In addition, starting from 5 years from the date the Founders’ Agreement came into effect, each of the parties shall have the right to purchase the other party’s share of the partnership and the general partner, in accordance with an agreed-upon MBMY agreement. Inasmuch as the Company is the one to initiate the MBMY mechanism and purchase Meshek Energy's share of the partnership and the general partner, then Meshek Energy shall be entitled to cancel the electricity purchase agreements signed between Cellcom Energy and Meshek and/or related bodies, according to a mechanism and periods set in the Founders’ Agreement.

9.10.2. Engagement in Electricity Purchase Agreements

- (1) Alongside the signing of the Founders’ Agreement, the Company and Meshek Energy engaged for Cellcom Energy and a body connected to Meshek Energy (“**the Manufacturer**”) in 4 agreements for the purchase of electricity (these being the first electricity agreements) and in 2024 Cellcom Energy enter into 2 additional agreements to purchase electricity from the producer, each for a period of 20 years from the date each production facility is attributed to Cellcom Energy, in accordance with each of the agreements in question (subject, inter alia, to that stated in 9.10.1.(6) above), from 6 production facilities built by Meshek Energy and related

bodies, with an installed solar output of 61 MW DC and an energy capacity of 155 MW/hour, for all facilities.

- (2) The total payments expected to be made by Cellcom Energy in connection with the purchase of electricity from the six production facilities, for the agreements period on a cumulative basis, is NIS 750 million, which will be linked in part of the Consumer Price Index with an agreed-upon ceiling, and in part for the production rate (a weighted production component rate published by the Electricity Authority – “**the Weighted Rate**”) (“**the Linkage Mechanism**”), and in addition, floor and ceiling rates were set that are linked to the Consumer Price Index Cellcom Energy will be required to pay to provide the electricity in each such production facility (with the exception of one facility the price of which was determined according to the production component rate less a discount at a certain rate and including the floor price only). The proceeds in question gross up a discount it a share agreed upon from the weighted rate.
- (3) Upon the execution of the electricity purchase agreements by the parties, the Company and Meshek Energy were given parent company guarantees (limited sum) according to their share in Cellcom Energy holdings, to guarantee the payments of Cellcom Energy to the manufacturer in accordance with the agreements. The amount of the guarantees in question will be updated according to the linkage mechanism beginning from the signing date of the power purchase agreements, cumulatively for the entire period of the foregoing agreements.
- (4) In case the commercial operation of any of the production facilities (after receiving approval for commercial operation from the electric corporation), in accordance with the power purchase agreements, has not occurred by various deadlines which were determined, liquidated damages will be paid to Cellcom Energy, according to an agreed-upon mechanism, and in case commercial operation has not occurred by 12 months after the foregoing deadline, the producer will be entitled to cancel the power purchase agreements, such that they will conclude after the foregoing 12 month period, and in the foregoing case, a power purchase mechanism which was agreed upon between the parties will be activated. In addition, in the event that the Manufacturer does not uphold their responsibilities regarding the scope and times of the flow of electricity provided Celcom Energy according to the agreement, for each of the production facilities separately, Celcom Energy will be paid an agreed-upon compensation up to a

compensation ceiling in accordance with an agreed-upon mechanism, and inasmuch as the Manufacturer has reached the compensation ceiling, Cellcom Energy shall have the right to cancel the agreement.

- (5) The Founders' Agreement's coming into effect and validity, including the agreements to purchase electricity, was stipulated on the receipt of the approval of the Competition Authority (without conditions not accepted by the party) within 90 days of signing. On November 15, 2023 the Competition Commissioner decided in which an exemption was given from the approval of a binding arrangement between the parties, for a period of 5 years (at the conclusion of which the Competition Commissioner will be able to reassess the competitive impact of the arrangement, with the development of the field of virtual supply to households, alongside the field of energy storage. Note that in the event that the exemption in question is not renewed, the parties have agreed upon a mechanism to liquidate the partnership between them.
- (6) As such, the engagement in question entered into effect. Note that in accordance with the business plan as attached to the Founders' Agreement, Cellcom Energy seeks to achieve a market share of 270,000 electricity customers by the end of 2028.

That stated above in connection with the business plan as noted above and including everything stated on the matter of the services the parties will provide Cellcom Energy and the sale of electricity by Meshek Energy and the scope and proceeds of such services as well as models, assessments, estimates and subjective analyses carried out and which were used by the Company for its assessments within the framework of the engagements in question constitute forward-looking information, as defined in the Securities Law, which may or may not be realized or be realized in some manner different (including materially different) from that described above, this, inter alia, due to factors and/or influences that cannot be estimated in advance including changes that may occur in the business plan and in the expected start of activity dates (inter alia, due to delays in connection with the implications of the Iron Swords War and/or the security situation), including changes that may occur in the electricity industry and regulatory changes (including in connection with electricity rates), the dates required permits are received, changes in construction and financing costs of projects at the basis of the engagements in question, the impact of competition in the industry on the business plan, changing economic and geopolitical environments and more.

9.10.3. During the course of 2025, Cellcom Energy entered into several material agreements (at the Cellcom Energy level), as detailed below:

- (1) In September 2025 Cellcom Energy 's entry into an additional agreement and memorandum of understanding ("**the agreement**" and "**the**

memorandum of understanding") for the purchase of electricity from corporations in the Meshak Energy group. The total payments expected by Cellcom Energy in connection with the purchase of electricity under the aforementioned agreements are estimated by Cellcom Energy at approximately NIS 1.18 billion

According to the agreement, Cellcom Energy will purchase the electricity generated in a photovoltaic project combined with storage ("the project"). The agreement is for a period of 20 years from the start date of electricity supply in the project, with an installed solar capacity (as reported to Cellcom Energy) of about 18 MW DC and a storage capacity of about 68.5 MWh. If the commercial operation of the facility in the project does not commence within 12 months from the expected date of commercial operation (as reported to the Company – during the third quarter of 2026), and not due to a force majeure event, Cellcom Energy will be entitled to cancel the agreement. The electricity purchased by Cellcom Energy under the agreement will be sold under the market model regulation (for details see section 9.1.2(3) of Part A of the Company's periodic report for 2024), at a price reflecting a discount on the weighted electricity production component. The total expected payment in connection with the agreement is estimated at about NIS 400 million over the term of the agreement. To secure Cellcom Energy's obligations under the agreement, Meshak Energy and the Company have provided limited parent Company guarantees for the producer (which, under certain circumstances, will be joined by a bank guarantee, in an amount not material to the Company).

Simultaneously, Cellcom Energy entered into a memorandum of understanding with a corporation that fully owns the producer (100%), according to which, subject to the fulfillment of conditions precedent, the parties will sign three binding electricity sale agreements while maintaining commercial principles identical to those agreed in the agreement ("the future projects"). As reported to the Company, the future projects are expected to have a total expected capacity (as reported to Cellcom Energy) of about 30 MW DC and a storage capacity of about 123.5 MWh. The total expected payment in connection with the future projects is estimated by Cellcom Energy at about NIS 780 million over the term of the aforementioned agreements. The engagements under the memorandum of understanding are subject to conditions precedent, including meeting the

commercial operation schedules as agreed between the parties and signing binding electricity sale agreements.

The above mentioned regarding the price to be paid in the agreement and the additional agreements, for the project and the future projects, the installed capacity of the project and the future projects, and the commercial operation dates, constitutes forward-looking information, as defined in the Securities Law, 1968. Such information reflects Cellcom Energy 's estimates and is based, inter alia, on the electricity rates set within the described engagements. Forward-looking information, by its nature, is information that may materialize, in whole or in part, or materialize in a manner materially different from what was anticipated by the Company, or may not occur at all, as a result of various factors not solely under the control of the Company or Cellcom Energy. For details regarding risk factors in the field of electricity supply, see section 9.12 below.

(2) In December 2025, Cellcom Energy entered into an agreement (in this section: the “**Agreement**”) for the purchase of availability certificates from a producer unrelated to Cellcom Energy (the “**Producer**”).

Pursuant to the Agreement, Cellcom Energy shall purchase availability certificates in the amount of 50 MW from a photovoltaic power generation facility combined with storage, to be constructed by the Producer and expected to commence operation in the second half of 2027 (in this section: the “**Project**”). The Agreement is for a term of ten (10) years from the commencement date of the supply of the availability certificates.

The availability certificates to be purchased by Cellcom Energy under the Agreement will enable it to purchase electricity in a volume similar to that covered by such availability certificates from Noga – Israel Electricity System Management Ltd., at wholesale market prices (SMP). The Agreement includes mechanisms for adjusting the consideration payable to the Producer, relating to possible changes in wholesale market rates and the generation component, as well as minimum and maximum consideration mechanisms, which shall apply for the period defined in the Agreement.

The Agreement further includes a termination mechanism in the event of a force majeure occurring for a period exceeding that specified in the Agreement. The total expected payments in connection with the Agreement are estimated by Cellcom Energy at approximately NIS 350 million over the term of the Agreement. To secure Cellcom Energy’s obligations under the Agreement, Meshek Energy and the Company have provided limited

parent company guarantees in favor of the Producer, which may be suspended or reduced under certain circumstances defined in the Agreement.

- 9.11. *The above mentioned regarding the capacity, the commercial operation dates and the total expected payment, as stated, constitutes forward-looking information, as defined in the Securities Law, 1968. Such information reflects Cellcom Energy 's estimates and is based, inter alia, on the electricity rates set within the described engagements. Forward-looking information, by its nature, is information that may materialize, in whole or in part, or materialize in a manner materially different from what was anticipated by the Company, or may not occur at all, as a result of various factors not solely under the control of the Company or Cellcom Energy. For details regarding risk factors in the field of electricity supply, see section 9.12 below.* These engagements join additional engagements of Cellcom Energy with private electricity producers, to whom Cellcom Energy provides a service envelope as well as PV fields + energy storage. As a rule, the duration of these engagements ranges between one months to up to 15 years (with the option to extend in certain cases).

As of the date of this report, the total payments expected by Cellcom Energy in transactions for home customers amount to approximately NIS 1.2 billion and this amount may vary according to the change in home consumer electricity rates. The Company and Meshek Energy provided parent company guarantees (which, under the agreements with the private producers, are unlimited in amount) according to their share in Cellcom Energy holdings, guaranteeing the payments of Cellcom Energy to the private electricity producers in accordance with the agreements. For details on guarantees provided by the Company in favor of Cellcom Energy engagements and for financial bodies providing credit for Cellcom Energy, see Note 31.b.2.c to the Financial Statements.

9.12. **Risk Factors in the Area of Activity**

In addition to the risk factors of the Group as a whole as stated in Section 27 below, the Company's activity in the field of electrical supply is exposed to the following risk factors:

- 9.12.1. **Competition** – as noted above, following the reform in the electricity market in recent years, competition in the activity has increased, and leading companies in the economy have begun entering the field of electricity supply for business and private consumers. While this has led to a decrease in IEC's market share in the supply segment, it can increase the number of electricity suppliers and increase the level of competition in the electricity supply market, which may

have a negative impact on the Company's electricity supply business, including on the Company's terms of engagements with its customers and the terms of electricity purchases from electricity producers and customer abandonment. Cellcom Energy estimates that the current level of competition in the area of the activity, the entrance of new competitors and various pricing plans offered by the Group's competitors are expected to continue. For details on how the Group deals with competition in its area of activity, see Section 9.1.8 and 9.5 above.

- 9.12.2. Regulation and changes in regulatory arrangements – the Company's activity in the activity is subject to regulation in the field of electricity in addition to regulation applicable to the business segment and in general. Cellcom Energy is exposed to changes in the regulation it is subject to within the framework of its activity as well as to changes in regulation applicable to corresponding areas connected to its activity. Various regulation processes, including changes in production component rates and additional components, may have a negative impact on the area of activity and its results, or on the terms of the Company's engagement with third parties like customers and suppliers. In addition, regulatory processes may lead to delays in receiving permits and licenses, to the imposition of monetary sanctions and to harm to the Company's reputation. The industry the Company operates in the area of activity has been subject to frequent regulatory changes in recent years, and according to Cellcom Energy's estimates, in recent years there may be additional changes in the regulatory arrangements that apply to the industry, including the applications of new arrangements on Cellcom Energy, inter alia, in light of the development of the private electricity market in Israel in accordance with government goals. In addition, such regulatory arrangements may apply by virtue of antitrust laws and in the context of promoting competition. A failure to identify new legislation or an update to existing legislation, a bad interpretation of legal provisions, a failure in control and monitoring the implementation and compliance with applicable legal and regulatory requirements including licensing conditions, failure to secure permits or licenses or failure to renew licenses or stricter licensing conditions, stricter regulation or failure to comply with it may lead to expenses or investments at significant sums as well as material harm to the Company's results in the area of activity.
- 9.12.3. Number of means of production in the electricity market – Cellcom Energy's continued ability to grow in its market share is directly impacted by its ability to engage in electricity purchasing agreements mainly from production

facilities with combined storage. The ability to connect production facilities combining storage to the power grid depends on the development of the power grid by the IEC. Inasmuch as this development is delayed, this may lead to delays in the development of storage-combined production facilities and impact the ability of Cellcom Energy to enter into attractive purchasing conditions and increase its market share.

- 9.12.4. Dependence of activity on supply licenses and agreements with electricity producers – Cellcom Energy provides electricity according to an electricity supply activity license issued by the Electricity Authority, which is in effect for a period of 5 years from its date of receipt, meaning until July 2026. Failure to renew the license or stricter licensing conditions may have a material impact on the Company's activity in the area of activity. In addition, Cellcom Energy's activity relies on engagements with electricity producers for the purpose of supplying the electricity. Changes in the array of agreements, disputes discovered, failure to renew agreements or renewing them under inferior terms and so on, may have a material impact on the Company's results in the area of activity¹⁸.
- 9.12.5. Guarantees – within the framework of the area of activity, Cellcom Energy provides guarantees to the State of Israel and to the System Administrator as set in the criteria and the Company provides (in accordance with its share of Cellcom Energy) financial guarantees to guarantee the obligations of Cellcom Energy within the framework of the electricity supply agreements and towards financial bodies providing credit to Cellcom Energy (for details see Note 31.b.2.c to the Financial Statements . Failure to uphold the obligations for which the guarantees in question were provided may expose Cellcom Energy and the Company to the forfeiture of the guarantees (or part of them).
- 9.12.6. Failures in production facilities – disruptions and technical malfunctions in the electricity production facilities from which the electricity used by the Company in the supply segment in which the Company is active is purchased, disruptions and technical malfunctions in the critical equipment of the production facilities as well as the inability to maintain inventory levels, inventory quality and sufficient amounts of spare parts may have an impact, inter alia, on the cost of electricity purchased by the Company in a manner that will impact the Company in the supply segment and may lead to excess expenses for the Company.

¹⁸ The above information regarding the submission of an application to the Electricity Authority for the renewal of Cellcom Energy's electricity license constitutes forward-looking information, which may not materialize or may materialize differently from that described, due to factors beyond the Company's control.

9.12.7. **Changes in electricity rate components** – changes in the electricity rate components including the electricity production component, network costs and system administration may have a negative impact on the results of the area of activity. As a rule, a decrease in the electricity production component published by the Electricity Authority (which may derive from various reasons, inter alia, exchange rates, IEC fuel costs, and more), or an increase in network components and system administration reduce profitability in the area of activity.

Furthermore, since the electricity procurement agreements are linked to the Consumer Price Index, to the extent that the Consumer Price Index increases at a higher rate than the increase in the electricity rate, this may lead to a reduction in profitability within the activity segment.

Set forth below are Cellcom Energy’s assessments regarding the extent of the impact of the aforementioned risk factors on Cellcom Energy.

Risk Factors	Influence on the Group’s Business		
	Major Influence	Moderate Influence	Minor Influence
Competition	+		
Regulation and changes in regulatory arrangements	+		
Amount of means of production in electricity market	+		
Dependence of activity on supply license and agreements with electricity producers.	+		
Guarantees		+	
Faults in production facilities			+
Changes in electricity rate components	+		

For details on the Company's macro risk factors, see Section 27.1 below.

Part Four: Matters Pertaining to the Group's Activity as a Whole

10. Customers

The following is data on the breakdown of the Group's revenue from private and business customers¹⁹:

Type of Customer	2025		2024		2023	
	Total revenues (NIS millions)	Rate of total revenues	Total revenues (NIS millions)	Rate of total revenues	Total revenues (NIS millions)	Rate of total revenues
Private Customers	3,177	74.9%	3,063	68.9%	2,836	65.1%
Business Customers	999	23.5%	1,152	25.9%	1,157	26.3%
Other	68	1.6%	229	5.2%	378	8.6%
Total	4,244	100%	4,444	100%	4,398	100%

As of the publication of this report, the Group is not dependent on any specific customer the loss of whom will have a material impact on its activity or on any of its areas of activity.

11. Marketing and Distribution

11.1. Sales and Customer Service

11.1.1. The Group is consolidating its customer service and sales services, in order to maximize the Group's opportunities, alongside maximum efficiency and high-quality customer service.

The Group's customer service section is the central channel for preserving long-term relationships with Group customers, while focusing on customer loyalty nurturing efforts in providing high-quality service. In addition, the Group allows its customers to join its services conveniently (in a frontal manner over the telephone and self-service digital means).

The Group offers communications services and complementary services, equipment and complementary services using a variety of sales measures, in order to attract new customers and nurture the loyalty of existing customers.

The Group operates both through independent marketers and through employees employed by it. All Company representatives (both internal and independent) operating in direct interface with customers undergo professional training at the start of their employment, as well as over the course of their employment, in order to ensure high-quality service.

¹⁹ Including revenue from Wecom. For further details see Section 24.1 below as well as Note 30(d) to the Financial Statements.

The Group applies initiated quality controls on a regular basis, to ensure the quality of service and identify areas for improvement and works on an ongoing basis to implement measures of retaining customers and reducing the customer abandonment rate.

11.1.2. The Group's sales and customer services activities mainly take place on the following channels:

(1) Physical Sales Points

The Group distributes its products and services over thousands of physical sales points across the country, most of which operate by external marketers and some operated directly and interpedently by the Group.

As of December 31, 2025, the Group operated 73 service and sales points independently (of which 55 were Dynamica stations) across the country.

As a rule, the sale and access points are located in central locations or in places with high volumes of customer traffic (prime locations), allowing easy and convenient access to the Group's customers and potential customers. Most of the service and sales points offer the full array of the Group's products and services and offers telephone repair services (and some of them offer additional equipment), or serve as a handover location for depositing them for repairs and receiving them after they've been fixed (at the same center or via courier to the customer's home), while the repair services themselves take place in the Group's frontal branches or in a central laboratory²⁰.

In addition, within the framework of the Group's efforts to expand in certain segments in order to expand the Group's sales potential and contact points with the Group's customers and potential customers, the Group engages with distributors with proven expertise in those segments.

(2) Call Centers

The call centers operated by the Group focus on providing services to private and business customers on financial subjects, services, overseas packages, technical support for cellular, terrestrial and TV products and telephone sales to existing and potential customers. The Group's sales representatives offer customers a broad variety of goods and services, both proactively and in response to their requests. The Group's call center services (for private customers) are divided into secondary centers (for example: general services; technical services; billing; sales, collection and

²⁰ In this regard note that the Group operates a few tens of technicians – as subcontractors across the country

so on). The Group examines the effectiveness of service on a regular basis and also operate a multi-use call center that provides all services.

(3) Business Customers

In the Company's areas of activity, a designated team maintains regular contact with the Group's large and medium-sized business customers. In addition, the Group provides a telephone service and sales center for small and medium-sized business customers, a personal service centers for large and medium-sized business customers and a support center for terrestrial communications customers. In certain cases, very large business customers are provided with services at the customer's premises. The Group's expertise in the various fields of communications allows it to provide full treatment to the needs of its business customers, including personally adapted solutions, as needed. It should be noted that the process of selling to major business customers or governmental and municipal authorities may, at times, require the Group's participation in invitation-to-bid procedures or tender processes.

sometimes involves the Group taking part in a tender process.

(4) Self Service and Online Actions

The Group offers customers to perform various actions and receive information online all hours of the day, including on the Group's website. In addition, the Group provides its existing and potential customers various self-service channels, such as interactive vocal response (IVR) services, a website and chat over WhatsApp and the Group's application. The self-service channels allow Group customers, inter alia, investigate details and purchase end equipment, acquire services such as foreign packages, track use of data, receive monthly digital invoices, self-service training, chats with service representatives and more. The Group invests resources in directing its customers to the self-service channels.

(5) Technician Services

The customer service for the Cellcom TV+ service and the Group's internet infrastructure is provided by technicians (employed by the Company as well as through outside contractors) providing services at the customers' homes.

In addition, the Group's business customers are provided with services via professional elements (from Group employees and through outside suppliers) in information security solutions, infrastructure services, communications and other areas.

(6) Providing Services to People with Disabilities

The Group invests efforts to adapt its services to people with disabilities, as required by law. Alongside making websites accessible, the Group provides customers with disabilities with comfortable access to the physical sales sites and adapted services including text to speech service and chat support service. The Group trains the customer representatives to provide accessible service to all of its customers.

11.2. Marketing

The Group's marketing strategy emphasizes its status as a leading, fair, and proactive Israeli communications group, which delivers substantial value to customers in consideration for their payments and possesses the capability to provide a comprehensive solution for all communication needs through a wide range of service packages and offerings. In the Group's view, the provision of services strengthens customer loyalty and enhances customer satisfaction.

The Group works to provide fair and high-quality service to its customers.

The Group's marketing activity is based on parameters important to its customers, as these are also expressed in the surveys the Group conducts from time to time.

The Group leverages interactions with its customers to provide the requested service, sell products and services in accordance with customers' needs, market trends and profitability considerations. This is mainly through an advanced customer relations management (CRM) system, to increase customer satisfaction and reinforce customer loyalty.

As of the publication of this report, the Group has no dependence on a specific marketing channel the loss of which will have a material negative impact on its area of activity or which will cause a material added cost to the Group as a result of the need to replace it.

12. Competition

The Israeli communications market is a highly competitive market in most of its areas. For details on the level of competition in the field for cellular and terrestrial communications see Sections 7.1 and 8.1 above, respectively.

The main competitive elements in the communications market are the services included in the package of services offered customers, the perceived price of services and equipment, the perception of the brand, the perception of quality of the network and customer service level. Thus also the variety of cellular devices and additional end equipment, the need to adapt them to the customers' needs and the variety and quality of television contents, influence the increased level of competition in this market.

12.1. Communications Groups and Structural Separation

12.1.1. Competition in the Israeli communications market has been characterized in recent years by competition between communications groups, which are active concurrently in a number of operating segments in the market. Note that the Group's areas of activity also feature competitors not belonging to any communications groups. As of the publication of this report, there are four communications groups active in Israel – the Cellcom Group, the Bezeq Group, the HOT Group and the Partner Group.

12.1.2. As the Bezeq and HOT Groups are monopolies, each in their core businesses – the Bezeq Group in the fixed line telephone market and in the internet infrastructure market and the HOT Group in the multi-channel television market, they have certain structural separation obligations, and accordingly they have various restrictions regarding the sale of shared communications packages. The restrictions applicable to the Bezeq Group include, among other things, demands to separate the managements of the Bezeq Group companies, as well as separation in the business, monetary and marketing systems, in assets and in employees, prohibition on transferring information between Bezeq and a subsidiary (subject to exceptions), the requirement that Bezeq offer some of the services included in the service package separately, under the same terms as the package, and allow its competitors to offer their services within the framework of service packages under the same terms (if the packages include internet access services, internet-based terrestrial calls or overseas calls).

Additional restrictions apply to cooperation between Bezeq and its subsidiaries, both pursuant to competition law and conditions imposed by the Director General of the Competition Authority in merger approvals between Bezeq and companies within the Bezeq Group, which prohibit preferential treatment of subsidiaries in the provision of certain services, and pursuant to the provisions of Bezeq's license, which require it to provide its services on an equal and non-discriminatory basis. The Bezeq Group has received waivers for its structural separation that allow it to offer packages along with its subsidiaries, subject to a number of terms. In addition, Bezeq subsidiaries were permitted to sell and market each other's services, including within the framework of packages of their services. While HOT also has requirements of structural separation between the multi-channel television services, the internet access services, cellular services and fixed line telephone services, HOT has been allowed to offer packages of fixed line telephone services, multi-channel TV services and

internet services. In addition, HOT and HOT Mobile may sell and market each other's services and exchange information.

Regarding the HOT Group - by virtue of various reliefs granted it by the Ministry of Communications in recent years, as a rule, it is able to market the services of HOT and its subsidiaries to customers with no material restrictions. In addition, the HOT Group is entitled to market a "shared services basket": that includes, in addition to home internet and broadcasts, also cellular services (Quatro) and international carrier services. In accordance with the Ministry of Communications' decision in this matter, the HOT Group must receive the advance approval of the Ministry of Communications for each basket of services and regarding a basket of service offered by some of the companies in the HOT Group, services of competitors who are not from the HOT Group will need to be offered.

In June 2021, the Ministry of Communications decided to cancel the existing separation policy between broadband infrastructure services and internet access services and ruled that Bezeq and HOT would be allowed to provide internet access services themselves along with infrastructure services. Starting April 2022 regarding Bezeq and from August 2022 regarding HOT, they were allowed to provide internet access services along with infrastructure services for new customers, while being forbidden from providing separate infrastructure services for subscribers in a new private service.

Accordingly, over the course of the fourth quarter of 2022, YES began marketing combining television and internet packages (based on Bezeq infrastructure) to its customers.

On October 22, 2025, the Ministry of Communications published a public consultation notice regarding a re-examination of the structural separation obligation applicable to the Bezeq Group and HOT. Inter alia, the Ministry presented three principal policy alternatives (while noting that additional alternatives may also be considered): Alternative A – full abolition of structural separation; Alternative B – functional separation, meaning the establishment of a wholly separate wholesale corporation or business unit within the Bezeq Group that would provide infrastructure services to other telecommunications operators; and Alternative C – ownership separation of the passive infrastructure, involving the transfer of ownership to an independent entity unrelated to the controlling shareholder.

12.2. **The Group's Response to Competition in the Communications Market and Factors**

Impacting its Competitive Status

12.2.1. The Group estimates that its ability to successfully deal with competition in the communications market depends, in part, on constantly taking care and striving to provide high-quality service to its customers as well as its ability to anticipate and respond to trends and events impacting the market, including the presentation of new services and technologies, changes in consumer preferences, demographic trends, economic conditions, competitor pricing strategies and changes in legal and regulatory environments.

In order to face competition in the communications market, the Group implements a number of steps and strategies that include, inter alia: (1) realization of opportunities that maximize its advantages as communications group, while focusing on offering packages of services such as packages that combine internet (on the basis of copper or fiber infrastructure) and television, along with marketing high quality and advanced complementary end equipment, which increase customer retention and increase the scope of their purchases from the Group; (2) investment in and reinforcement of the strength of the Company's brand as an Israel brand that places the customer in the center; (3) investment and reinforcement of the Company's brands, including Dynamica and Golan; (4) engagement in a network sharing and hosting agreement with Wecom that allows a more effective costs structure for networks, their activation and investments in them; (5) IRU agreement with IBC, which reduce costs for the purchase of fiber optics by the Group (compared to the purchase costs that currently exist from Bezeq) along with its dependence on Bezeq; (6) investment in the Group's networks with the aim of ensuring the supply of cellular services and high-quality and advanced cellular and fixed line services, including 5th generation and resulting advanced services; (7) increasing service and sales activities over digital channels, including through the use of AI tools, to increase customer satisfaction and save costs; and (8) increase the awareness of the potential customer base, by expanding the variety of products and developing tangential and other areas of activity. As such, the Company believes that its activity in the field for electricity supply, via Cellcom Energy (as detailed in Section 9 above) may deepen awareness and increase exposure to all of the products and services offered by the Group.

12.2.2. The Group estimates that among the negative elements that influence or may influence its competitive status, include the following factors: (1) the Group's

debt, which decreases the free capital available to finance and develop its business, which may reduce the flexibility of its response to changes in the market and in the economy and imposes high financing costs on it, which may impact its ability to make the necessary investments in the Group's networks and in its business in general (for details regarding the Company's debt and the drop in its level, see Note 18 to the Financial Statements);

(2) as applicable – regulation that burdens the television over internet (OTT) services offered by the Group to its customers (for details on the memorandum of the Comm (Broadcasts), 2025, see Section 22.6.3 below); (3) cancellation or granting additional reliefs in the structural separation obligation at Bezeq and/or HOT; (4) malfunctions and/or cyberattacks or harm to infrastructure that harm the supply of communications services by the Company and its image; (5) the supply of communications services by the State of Israel or the ability given bodies to provide communications services themselves and/or the allocation of frequencies (if any) to bodies that are not cellular companies, in favor of supplying local cellular services²¹; (6) short and medium-term consequences for the Group deriving from the cancellation of alteration of the sharing agreement with Wecom; (7) a decrease in the scope of and/or revenues from roaming services marketed by the Group, including as a result of the increased use of e-SIM technology and the entrance of competitors (for details see Section 7.1.4.(2) above); (8) expansion of the activity of the Free TV platform in the Israeli multi-channel television market (which began operating in April 2023) and of Partner TV+ (which began operating on the interface, based on YES content, in September 2025), which may increase the existing level of competition in the market (for details see Section 12.4.2. below); and (9) decreasing entrance barriers to the communications market and decreasing regulation on business and technological development (for further details see Section 22.2.1(4) below).

12.3. **Competition in the Cellular Communications Market**

12.3.1. There is strong competition in all aspects of the Israeli cellular communications market, with a penetration rate of 115% representing 11.4 million cellular users as of December 31, 2025, and an average abandonment rate of 29% over the

²¹ In this regard note that in July 2023 the Ministry of Communications published a policy paper that outlines the rule for allocating a 26 GHz frequency band (as well as a narrow band in the 2.1 GHz range) for the use of elements who are not cellular operators or domestic operator, for the purpose of operating private networks on a local basis (terrain polygon) for a project. For details regarding the Ministry's decision on ownership of the mobile network system, see Section 12.3.5 below.

course of 2025. The abandonment rate in the Group in 2024 and 2025 was 29.4% and 31.1%, respectively.

- 12.3.2. As of the publication of this report, the Group is active alongside four cellular communications operators owning infrastructure (mobile network owners – MNO): Partner, Pelephone, HOT Mobile and Wecom, alongside a number of virtual operators (MVNO), the most prominent of which are Rami Levi Marketing Hashikma Communications Ltd., Azi Communications Ltd. and Xfone 018 Ltd.

According to the Group's estimates, the subscriber market shares of the various cellular operators as of December 31, 2025, are: The Group 32%, Partner 23%, Pelephone 23%, HOT Mobile 14.13% Wecom 2.5% and the virtual operators together at 6.5%²².

- 12.3.3. In the end-user equipment segment within this line of activity, the Group operates alongside telecommunications operators and additional market players that supply end-user equipment to the public, including iDigital, Sunny, KSP, and others.
- 12.3.4. Along with the increased awareness and increased use of e-SIM technology (if any), it is possible that marketing activity in Israel by international companies alongside Israeli companies will increase, for the sale of communications packages (roaming) intended for the general public for use outside of Israel. In addition, and concurrently, it is possible that the competition of communications companies will increase in connection with the supply of roaming services in Israel (for subscribers outside of Israeli entering into Israel). For details, see Section 7.1.4.(2) above.
- 12.3.5. In July 2023, the Ministry of Communications passed a resolution and the Company's license was amended so as to allow third parties that are not cellular companies ("**Entrepreneurs**") to establish a radio center infrastructure (cellular sites) and rent them to the cellular companies, so long as such sites are activated and maintained solely by cellular companies, with such use being incremental to the coverage obligations set in the companies' licenses. The Ministry of Communications' ruling also stated that in order to establish and rent such a radio infrastructure, the entrepreneurs will be required to receive an appropriate license from the Ministry of Communications and meet the terms and restrictions. In September 2024 the Ministry of Communications published

²² This estimate is based on reports published for the public by other operators and on the Company's estimates regarding operators who do not publish reports for the public.

a complementary hearing, intended to present rules the Ministry of Communications intends to establish in order to implement the goals of the July 2023 resolution, to update that a developer can be the owner of the equipment and maintain the equipment themselves and update that a mobile radio telephone operator may be assisted by an Entrepreneur to complete coverage obligations under the circumstances detailed in the hearing paper. In an additional decision from September 2025 (published together with a further amendment to the Company's license), the conditions governing the Company's use of entrepreneurs' infrastructure and the manner of registration of their activities with the Ministry were established. Pursuant to the decision, inter alia, it was determined that: (1) the average traffic volume carried over an entrepreneur's cellular radio sites shall not exceed 40% of the total data traffic on the Company's network; (2) the maximum traffic volume carried over an entrepreneur's cellular radio sites shall not exceed 15% of the total traffic carried on the Company's network; (3) data traffic on the Company's network shall be carried exclusively through radio frequencies allocated for use by the Company or the shared network; (4) it is prohibited to condition an engagement with an entrepreneur on an engagement, or lack thereof, with another mobile network operator licensee. In addition, further conditions were established, including limitations on activity with entrepreneurs who have not been registered with the Ministry and an obligation to obtain prior approval for engagements with an entrepreneur affiliated with a governmental body or a local authority.

12.3.6. In the end equipment market, the Group is in competition with a large number of suppliers, including cellular operators, importers, retail chains, other private shops, online trading sites and so on, selling cellular end equipment, including via private imports. The Group predicts that this trend of competition will continue. The Group estimates that it has the largest end equipment activity among the cellular operators and is considered the mobile network with the largest sales activity outside of Israel²³.

12.4. **Competition in the Fixed Line Communications Market**

Activity in the field of fixed line communications includes activities in a number of secondary areas, mainly transmission and internet services (infrastructure and access), local and international telephone services as well as television services. Implementation

²³ In terms of revenues, as of September 30, 2025, the Group is a market leader in the sale of end equipment in the field of cellular communications.

of the wholesale market allows the entrance of additional operators who are not infrastructure owners into additional secondary areas and the expansion of competition to all activities and increasing the offering of packages of services from a number of areas to customers. There is extensive competition in this area of activity, particular in the internet and television services provided by the Group, as will be detailed below.

12.4.1. Internet Services (Access and Infrastructure)

- (1) The HOT and Bezeq groups are the only entities in Israel with a national fixed line infrastructure (or near-national). These groups are the primary internet infrastructure providers for the Israeli private segment, and they also provide internet infrastructure services to operators who do not own infrastructure within the framework of the wholesale market. According to Bezeq's reports, as of the publication of this report, Bezeq provides internet infrastructure services (over copper and fiber optics) to 1 million households and has deployed fiber infrastructure for 2.95 million households. The Company does not have the ability to assess HOT's market share in the field of internet services.

IBC offers wholesale internet infrastructure services over fiber optics to operators, including the Group, HOT and Partner. As of December 31, 2025, IBC has deployed fiber optic infrastructure to 2 million households, as of the date of publication of this report it has reached to 2.4 million households. For details on a dispute between the Company and IBC and some of right holders (former), on the matter of (inter alia) the expansion of its deployment, see Section 18.1.5.(3) below.

For details regarding a transaction for the sale of the Company's entire holdings in IBC, which was completed in October 2025, and pursuant to which the Company received consideration in the amount of approximately NIS 520 million, see Section 18.1.6 below.

In addition, Partner offers internet infrastructure service to the private segment on its own independent fiber optic network deployed in selected residential areas (according to Partner's reports, as of December 31, 2025, Partner has deployed fiber optics to 1.1 million households). For details on an IRU agreement signed between Partner and Bezeq, see Section 8.1.2.(1) above.

- (2) Internet service providers that do not own a nationally deployed infrastructure, or those that do not own an internet infrastructure at all²⁴, rely on the internet infrastructure of Bezeq, HOT and IBC (for further details see Section 18.1 below), to provide infrastructure service to their customers. Inasmuch as IBC becomes a nationally deployed alternative, this is expected to have a positive impact on the Group's competitive status in the field of fixed line communications, by an additional reduction of the Group's dependence on Bezeq and a decrease in its costs.
- (3) In 2024 and 2025 the Group continued to focus on recruiting internet customers on fiber infrastructure, unlike on copper infrastructure. In December 2022 the Ministry of Communications published the demand forecast indices for data capacity on the Bezeq network, used to determine wholesale market rates on the copper infrastructure. These indices led to an increase in wholesale market rates in the copper infrastructure for 2023. In addition, the Ministry of Communications published an update on wholesale market rates in a fiber infrastructure over the Bezeq network that increased relative to 2022, amortized by Bezeq within the framework of understandings achieved between it and the Ministry of Transportation in the matter of the approval of its IRU agreement with Partner (for details on this agreement see Section 8.1.2(1) above). For details on the Ministry of Communications' resolution from March 2023 on determining a format for examining the limits in margins in the wholesale market, see Section 22.6.2 below.
- (4) Offering the internet infrastructure services over fiber optic by Bezeq, partner and HOT increases competition between them, but also increases public awareness of the service and leads to the diversion of sales to the fiber optic infrastructure. Bezeq began marketing its fiber optic service to its customers starting March 2021 and starting July 2021, this service is also sold within the framework of the wholesale market. HOT began marketing the service (on IBC infrastructure) in April 2021. For details on HOT's investment in IBC see Section **שגיאה! מקור ההפניה לא נמצא.** below. For the Group's assessment of the impact of halting the split between access to internet infrastructure, on competition in this field, see Section 12.1 above.

²⁴ As of the report date, Israel has a number of internet service providers, most of whom do not have a significant market share.

For details on hearings published in the matter of the principles of a policy for gradually closing copper grids, see Section 8.1.2.(1) above.

- (5) Among business customers, Bezeq has the largest market share in the supply of transmissions, and its leading status has a material impact on competition in this market share, while both Partner and HOT are active alongside the Company. For details regarding a non-binding indicative proposal submitted by the Company for the acquisition of HOT's business activities in the fixed-line telecommunications segment, see Section 1.1 above. As of December 31, 2025, the Group provides internet infrastructure services to 386,000 customers (of whom 351,000 customers are on fiber optics). Subscribers connected to fibers constitute a total of 91% of the Group's internet infrastructure subscribers. The Group estimates that its market share in this market is 14%.
- (6) As of the publication of this report, international internet access in Israel is provided by three undersea cables provided by Sparkle Telecom Italy Sparkle ("TIS"), and Exelera Telecom Ltd. (formerly Tamares Telecom Ltd., "Exelera"). For further details see Section 16.2.3 below.

12.4.2. Multi-Channel Television Services

Until the Group entered the multi-channel television market in December 2014, the multi-channel television services market was controlled by HOT (a declared monopoly in this area) and YES (of the Bezeq Group).

The Group offers multi-channel television services over the internet (OTT service). In addition, the Group has engagements with Netflix and Disney+ (international VOD content providers on an internet basis) allowing direct access to applications through the Cellcom application. As at December 31, 2025, the Group offers the television service to 274,000 customers. The Group estimates that its market share in this area is 15%. HOT and YES each market a reduced-price OTT brand called Next TV and Sting TV, respectively. In addition, as part of the shift from satellite broadcasts to OTT technology, YES has launched an OTT brand called YES+. Since 2022 Yes has offered Netflix and Disney+ (an additional internet-based VOD content provider) on its OTT service (including billing in its monthly bill). The service offered by the HOT Group also includes the Netflix application.

In July 2024 Partner announced that an agreement had been signed between it and Yes, in which partner will be allowed to market an audiovisual content application to its subscribers, based on the Sting+ service operated by Yes, with certain changes, for a five-year period from the commercial launch of the

service. In accordance with Partner's message, the agreement is subject to the existence of preconditions, which include the approval of the Competition Authority, and there is no certainty that the agreement will come into effect, considering the need for existence of the preconditions.

Until September 2025, Partner marketed an OTT solution incorporating the Netflix app (including billing through the monthly invoice); and as of September, 2025²⁵, Partner commenced marketing to its subscribers Partner TV+, an OTT service based on the Sting+ service operated by YES, with certain modifications. According to Partner's reports, such marketing is for a period of five years from the commercial launch of the service (with an option for extension for an additional period).

Note that Netflix, Amazon Prime, Disney+, Apple TV and HBO Max, provide their services to viewers in Israel, as a complementary service for existing content on multi-channel TV platforms.

During April 2023 "FREE TV" commenced operations of a multi-channel broadcasting platform over the internet in collaboration with Keshet Broadcasts Ltd. ("**Keshet**") and the RGE Group Ltd. ("**RGE**"), two of the Group's primary content providers for its television services (for further details see Section 16.2.5 below). To the best of the Company's knowledge as of the publication of this report the venture is wholly owned (100%) by Keshet.

At this stage, the entrance of the new platform has not had a major impact on the Group's results. At the same time, it's possible that the deepening of its activity and the establishment of the new platform (including inasmuch as it is offered as a service combined with the internet) will have an impact on the Group's operating results and/or on the business relationship between it and its content providers as noted above.

12.4.3. International Call Services

The international call services market has changed greatly in the past few years. Use of free and alternative communications technologies such as VOIP and WhatsApp have led to a decrease in the telephone services market and in particular in revenues from international telephone services which are expected, according to the Group's estimates, to continue into the future.

²⁵ Thus, according to Partner's publications in this regard

The Group is one of the primary providers of international call services in Israel, with the Groups primary competitors being Bezeq and Partner. There are also additional competitors like Xfone 018 Ltd. and HOT.

12.4.4. Terrestrial Telephone Services

The terrestrial telephone market was controlled for many years by the Bezeq Group, a monopoly in the terrestrial telephone market, and by the HOT Group. Bezeq held, according to Ministry of Communications publications, as of March 25, 2021, 72.9% of reported terrestrial telephone service revenues in Israel (and a larger market share among business customers). Additional suppliers in the domestic terrestrial telephone services are the Group and Partner.

The Group offers terrestrial telephone services to business customers and terrestrial telephone services using VOB technology to private customers. The Group estimates that its market share in the terrestrial telephone services market is not material and in the business market, the group constitute some of the leading players in the domestic provider world.

12.4.5. Other Terrestrial Services

Transmission services and data communications services, intended for business customers and communications operators, are provided by the Group, which is a leading player in the transmission world for the business market, as well as by the Bezeq, HOT and Partner Groups, and starting 2019 by IBC as well.

IOT solutions are provided by the Group, other communications operators, other integration companies in the field of software as well as additional players entering this market. The Company competes with these companies by offering advanced IOT solutions in conjunction with leading suppliers of IOT services and technologies. The IOT services market is characterized by a high level of competition, in which communications operators offers both communications solutions, including central management solutions for business customers, and end-to-end solutions for customers. The Group cannot estimate its share of this market.

13. Fixed Assets, Real Estate and Sites

13.1. General

The balance of the Group's net fixed assets as of December 31, 2024 and December 31, 2025 is NIS 1,578 million and NIS 1,537 million, respectively.

For details on restrictions on pledging the fixed assets and equipment used to provide services within the framework of the Group's licenses and additional restrictions on the Group in creating a lien on its assets, see Sections 19.4 and 22.4 below.

For details see Note 12 to the Financial Statements.

13.2. **Communications Networks**

The Group's activity is based, inter alia, on its networks. The following are details on the Group's networks in its areas of activity:

13.2.1. **Cellular Communications Segment**

The Group's mobile network equipment, including base sites which are distributed throughout the country, which provide telecom coverage for the vast majority of inhabited regions in Israel.

(1) The following are details of the Group's cellular networks as of this report:

- a. **2nd Generation network (GSM/GPRS/EDGE)** – a network covering most of the Israeli population and allowing audio calls, data transfer and multimedia services, but at a lower speed than that possible using 3rd, 4th and 5th Generation networks. This network allows a certain level of support for 3rd, 4th and 5th generation networks. For details on the shutdown of the 2nd Generation network see Section (3) below.
- b. **3rd Generation network (UMTS/HSPA+)** – this network allows full interactive multimedia services by downloading and uploading data at a rate of up to 42 MW per second and 5 MW per second, respectively. This network, which supports services that often require a high level of data transfer, allows support of 4th generation networks through load distribution. For details on the shutdown of the 3rd Generation network see Section (3) below.
- c. **4th Generation network (LTE)** - this network allows downloading and uploading data at a rate of up to 150 MW per second and 50 MW per second, respectively, and adding 4th Generation frequencies that were the subject of the 2020 tender (as defined in Section 14.5 below), at a rate of up to 400 MW per second and 70 MW per second, respectively²⁶. Most of the call and data traffic on the Group's networks is carried out through this network, which covers most of the population of Israel. Upon the activation of the VoLTE (voice over LTE) service, which allows calls to take place over a 4th Generation network, there has been a gradual shift by calls from the 3rd generation network to this one, and As of the publication of this report, over 85% of the calls on the Group's networks are carried out on 4th Generation.

²⁶ On sites in which the 4th Generation upgrade was completed, including the frequencies covered by the 2020 tender.

Following the Group winning the 2020 tender, as described in 14.5 below, the Group has been working to continue the deployment of the network in additional 4th Generation frequencies, in order to continue providing its customers a data transfer services with as high a rate as possible. The Group's 4th Generation network is in conjunction with Wecom (MOCN configuration). For further details on the network sharing with Wecom, see Section 24.1 below.

- d. 5th Generation network (NR 5G) – launched in 2020. A network based on an advanced technological standard (N78), that allows data downloads and uploads at a higher rate (up to 1.3 GB per second and 50 MB per second, respectively, at a 100 MHz frequency bandwidth). The network allows more extensive use of technologies, including in the field of Internet of Things (IOT). In 2020-2025 the Group deployed the network in select area and intends to continue with the deployment in coming years. The Group's 5th Generation network is in conjunction with Wecom (MOCN configuration). For further details on the network sharing with Wecom, see Section 24.1 below.

The Company is acting to establish and operate a 5th Generation SA (standalone) network core, which will allow the Company (inter alia) to provide full 5th Generation services independent of the 4th Generation network core. The SA network core allows the provision of full network (slicing) services at the network core low-latency services, and more.

Most data traffic is carried out on 4th Generation and 5th Generation networks.

- (2) In June 2021, the Ministry of Communication decided to discontinue service using 2nd Generation and 3rd Generation technology (the “**Old Technologies**”) on December 31, 2025 (“**the Determining Date**”), and established various interim arrangements that would apply up to the Determining Date. In addition, the Ministry of Communications instructed to extend the allocation of bandwidths allocated to the Old technologies at the time to use by more advanced technologies by December 31, 2030. In this context, in June 2023 the Ministry of Communications published an amendment to the Company's MNO license allowing the Company, subject to its approval, to continue to provide services to subscribers with M2M (machine to machine) equipment using the Old Technologies to December 31, 2028 on a limited bandwidth of no more than 1.2 MHz. On July 4, 2024

the Ministry of Communications approval in question was received. In addition, starting January 1, 2027 the Company is entitled to contact the Ministry of Communications with an additional request to extend the service period for such subscribers to December 31, 2030.

On December 30, 2025, the Ministry of Communications decided, *inter alia*, that legacy technologies may continue to be provided until January 31, 2026, and that as of February 1, 2026, the Company will be permitted to continue providing services using legacy technologies in frequency bands above 1,000 MHz (and may, accordingly, notify the Ministry of Communications of the exact date on which it intends to shutdown such services). It was further determined that, from February 1, 2026 and no later than March 29, 2026, the Company may continue to provide service to subscribers with legacy end-user equipment via a 3rd Generation network operating in the 850 MHz band, at a limited number of sites as prescribed.

It was also determined that, in view of the approval granted to the Company to provide M2M services over the 2nd Generation network as noted above, the Company will continue to provide voice services over the 2nd Generation network solely for calls to emergency centers (subject to the conditions set forth), during the period from January 1, 2026 through December 31, 2028.

Pursuant to the Ministry's decision as aforementioned, the Company notified the Ministry of Communications of its intention to shutdown 2nd Generation services during March 2026; and it continues to operate the 3rd Generation network using only the 2100 MHz frequency band (see Section 14.5.1(2)(b) below).

See also Note 2.d to the Financial Statements, in the matter of the impact of this decision on the manner fixed assets and intangible assets attributed to the Old Technologies are amortized.

This step will allow the Group to save on operating costs of 2nd and 3rd generation networks and take advantage of the frequencies vacated²⁷ in order to improve the performance of 4th and 5th Generation networks.

The Group intends to continue optimizing its networks in order to provide its customers with maximum support with video, contents and additional uses that require broadband.

²⁷ See Section 14.5 below.

- (3) Connectivity to the Group's cellular network is largely provided over an independent fiber optic network, using microwave²⁸ equipment as a complementary solution. In addition, the Group leases additional fiber optic capacity from Bezeq and HOT for completions.
- (4) The Group pays the State of Israel frequency fees for the frequencies used by the Group. See Section 22.2.2 below. For details on licensing fees paid by the Company for the 5th Generation see Note 32.i to the Financial Statements. For details on the discount arrangement for the use of the bandwidths used by the Company ending October 2024, see Section 22.2.2 below.
- (5) In accordance with the Ministry of Communications' requirements from all telephone service providers in Israel, the Group's cellular network (as well as the fixed line network) is linked to the networks of other telephone service providers in Israel, directly or indirectly.

13.2.2. Fixed Line Communications Segment

- (1) Most of the Group's fixed assets in this area of activity is the transmission network connecting most Israeli business centers to the Group's systems and connects most of its base site, in the cellular communications area of activity, to the Group's switches. The transmission network allows the Group to provide its business customers with telephone, transmission and data transfer services and advanced fixed line communications services.
- (2) The Group has built and operates an SDH transmission network as well as a carrier ethernet communications network. The Group has established and operates an SDH transmission network, as well as a Carrier Ethernet communications network, which the Company is working to expand and upgrade (while concurrently scaling down the SDH network).

These networks, which cover most business centers in Israel and include real-time problem management and monitoring services, allowing the Group to provide its business customers and data transfer services (transmission) at a high speed and quality, while reducing the need to sell additional capacity from outside suppliers.

The Group's optical transmission network is deployed strategically in order to provide coverage to most of the business centers in Israel, from Nahariya in the north to Eilat in the south and to Afula and Jerusalem in the east, and is nearly 2,300 km long (additional use is made of Bezeq

²⁸ Equipment used to operate a microwave artery – a communications artery between two points, at high frequencies.

infrastructure 2,000 km long and Partner and HOT to negligible levels). The optic transmission network is monitored by a problem management system that conducts real-time monitoring in order to allow the Group to provide high-quality service. In order to complete the coverage of the Group's network at the majority of its cellular sites and for the Group's transmission and business domestic operator customers, the Group uses a microwave network as a complementary solution for areas that are not covered by the Group's transmission network, which is fiber optic based. As of December 31, 2025, the Group had 1,800 microwave arteries to the cellular sites and to the Group's transmission and business domestic operator customers. The Group pays the State of Israel usage fees for frequencies used via the microwave network. In addition, the Group leases additional capacity from Bezeq and HOT needed for the terrestrial services provided its business customers.

- (3) Over the course of April 2024, the deployment of fiber optic was completed to the length of 250 km from Dimona to Eilat on the basis of HOT infrastructure within the framework of the wholesale market arrangement.
- (4) For details on the backup array and the DRP and business continuity plan and disaster recovery, see Sections 13.4 and 22.9 below.
- (5) As of the publication of this report, the Group's internet infrastructure was comprised of three switching sites located in Rosh Ha'ayin, Or Yehuda and Netanya, which are connected using undersea fiber optic systems in which the Group has purchased long-term usage rights to four switching junctions abroad, in Frankfurt, Marseilles, Milan and London, through which the Group network is connected to the global internet. For further details see Sections 13.3.3 and 16.2.3 below. This internet infrastructure allows backup capabilities in order to allow continuity of service.

13.3. **Real Estate and Sites**

13.3.1. The Group owns no land, and its activity (Group HQ, call centers, warehouses and shops) takes place on land it rents. The following is a description of the material rental agreements the Group is a party to, As of the publication of this report:

Use	Location	Area	The Agreement Period	Notes
Group HQ	Netanya	Some 18,000 used for the Company's	From January 1, 2023 to December 31, 2030	- The Group has an option to extend the agreement for existing spaces by an additional 5-year period.

Use	Location	Area	The Agreement Period	Notes
		offices (alongside service areas) and 440 underground parking spaces.		
Techno-logistical center	Netanya	Property with an area of 11,000 m ² .	From October 31, 2010 to July 31, 2026.	<ul style="list-style-type: none"> - Starting 2015, the Group has rented part of the property (as of the publication date, 5,500 m²) via sublets. - As of the date of publication of this report, advanced negotiations are being conducted for the extension of the agreement. Following the negotiations, the premises will be returned, and the Group will remain with an area of 5,250 square meters²⁹.
Offices, call centers, server and equipment storage.	Haifa	Property with an area of 5,227 m ² .	From January 1, 2026 to December 31, 2031.	<ul style="list-style-type: none"> - The Group has an option to extend the agreement for the existing premises for an additional period of five years. - In January 2026, an agreement was executed, and Cellcom's leased premises shall amount to approximately 5,227 m².
	Tel-Aviv	Property with an area of 620 m ² .	From July 1, 2025 to September 30, 2027.	<ul style="list-style-type: none"> - The Group has an option to extend the Agreement for two additional terms of two (2) years each, commencing in October 2027. - Until July 2025, these offices operated at a different location in Tel Aviv, with a premises of approximately 1,500 m².
	Rosh Ha'ayin	Property with an area of 3,050 m ² .	Until December 31, 2032.	<ul style="list-style-type: none"> - The Group has an option to extend the agreement by four additional periods of two years each, starting January 2025.
Service centers and points of sale	National deployment	Properties with a total area of 4,700 m ² , used for 73 service centers and points of sale.	The lease agreements are mostly for periods ranging from one to three years, with a variable option to extend for similar periods, and with the option to terminate	<ul style="list-style-type: none"> - The Group regularly works to limit and close points of service and sales the activity of which is losing money, while also to open points that improve the network's deployment and increase sales. - According to the Group's

²⁹ The information regarding the negotiations constitutes forward-looking information, which may not materialize or may materialize differently from that described, due to factors beyond the Company's control.

Use	Location	Area	The Agreement Period	Notes
			the agreements under certain conditions.	experience, renewal of the rental agreements may involve higher total proceeds relative to the date prior to the renewal date beyond the linkage to the Consumer Price Index.

- 13.3.2. Base sites – the Group rents or receives rights from various entities (from local authorities, from government entities such as the Israel Land Authority and from private entities) for the construction, maintenance and operation of base sites which are used for its mobile data network. The lease agreements in this regard are mostly for periods ranging from two to five years, with an option to extend for similar periods, and with options of termination, under certain conditions. In certain agreements, the lessor is entitled to terminate the agreement at any time, and for any reason whatsoever, subject to advance notice. On the basis of past experience, the Group encounters difficulties in extending rents at a rate of 10% of the base sites, which occasionally requires the Group to pay higher rental fees in order to leave its facilities in the same areas or find alternate sites.
- 13.3.3. Communications equipment and servers' storage – the Group rents spaces across the country used to store equipment, communications servers and additional communications equipment for the purpose of providing fixed line (private and business) and cellular services (including connectivity to the global Internet network).
In addition, the Group rents storage space for its servers and for their relevant equipment in London, Marseilles, Frankfurt and Milan, as detailed in Section 13.2.2.(5) above.
- 13.3.4. For details on rental fees charged in the Group's Consolidated Financial Statements (whether as rental fees or as depreciation expenses, in light of the implementation of IFRS 16), see Note 14 to the Financial Statements.
- 13.4. The Group has an operations center located at the Group HQ in Netanya, which is equipped with the measures needed for the continuous management of all switches and sites, to identify problems and dispatch technicians to fix malfunctions. The Group's support systems allow supervision of the network quality. In addition, these systems create statistical mapping for the system's performance and alerts on malfunctions (such as blocked calls, disconnected calls, end equipment failures and so on).
- 13.5. In addition, the Group has a backup array at a separate site, and a disaster recovery plan (DRP) for the engineering systems, information systems and support systems for the

Group's OTT services. The backup array also provides the system with additional advantages, including greater capacity in certain cases as well as greater durability, which increases the network's survivability in the case of damage to one of its components. In addition, the Group also has a business continuity and disaster recovery plan to continue its activity in accordance with the license's requirements (for details see Section 22.9 below), and in addition it has a survival plan for its television services as well.

14. **Intangible Assets**

- 14.1. **Goodwill** – goodwill at the Company is created when allocating excess cost as a result of the purchase of subsidiaries. Goodwill is tested at least once per year for impairment. Goodwill is not depreciated systematically. Total goodwill in the Company's books as of December 31, 2025, is NIS 1,563 million, of which NIS 831 million is for goodwill attributed to the mobile segment NIS 732 million is for goodwill attributed to the terrestrial segment. For further details and goodwill impairment tests see Note 13b to the Financial Statements.
- 14.2. **Customer relationships and brand** – when purchasing subsidiary Golan (in August 2020), customer relationships and brand assets were identified. The amortized cost balance for these assets was NIS 34 million (NIS 55 million as of December 31, 2024). These assets are amortized for a period of 10-16 years, respectively.
- 14.3. **Customer acquisition costs** – the Company capitalizes incremental costs for the purpose of securing a contract with customers, when the Company is expected to recover these costs in accordance with IFRS 15. The Company amortizes these assets according to the average customer abandonment rate.
- 14.4. **Licenses and recording in registry** – for details on licenses held by the Group and listing in the Registry for the purpose of providing services in the field of cellular and terrestrial communications, see Section 22.4 below.
- 14.5. **Usage Rights for Frequencies in the Field of Cellular Communications**
- 14.5.1. **Frequency Allocation**
- (1) The availability of frequencies in Israel is limited and frequencies are allocated by the Frequencies Committee through a licensing proceeding. The Group has usage rights for frequencies for the purpose of providing communications services on its communications networks. The licensing fees are amortized in the Company's Financial Statements across the licensing period. In addition, the Group pays fees at fixed sums (CPI-linked) for the right to use these frequencies. For further details see Note 32(i) to the Financial Statements.

(2) As of the publication of this report, the following frequencies were allocated to the Group for the purpose of providing cellular communications services.

- a. 2X25 MHz in the 1800 MHz frequencies band used by the Group's shared 4th Generation and 2nd Generation network. 2X3 MHz from these frequencies were allocated to the Group in a 4th Generation tender (in 2015) for a 10-year period. In accordance with a notice of the Ministry of Communications dated August 2025, the validity of the aforementioned allocation was temporarily extended until December 31, 2025, and subsequently until March 31, 2026; and 2X5 MHz allocated originally to Golan, upon the completion of its purchase by the Group, were allocated to Cellcom by the end of 2023 – when, in July 2023, the Group received notice from the Ministry of Communications and the Communications Unit at the Civil Administration in Judea and Samaria, according to which the allocation of 2X5 MHz of bandwidths in the 1800 MHz bandwidth range, which had been allocated to the Group upon the completion of the purchase of Golan as noted above, was extended by an additional period starting January 1, 2024 until December 31, 2025, or until the 3rd Generation network was shut down, whichever comes first. Subsequently, the aforementioned allocation was extended until March 31, 2026. Allocation of the other frequencies (2X17 MHz) is up to the end of 2030.

In accordance with the Wireless Telegraph Regulations (Licenses, Certificates and Fees) (Temporary Provision), 2026, published on February 2, 2026, the Company shall not be required to pay a fee for 2x2 MHz in the 1800 MHz frequency band as aforementioned, provided that such frequencies are used for the purpose of calls to emergency service centers in Israel (Israel Police – 100, Magen David Adom – 101, and Fire and Rescue Services – 102).

- b. 2X10 MHz in the 2100 MHz frequencies band used by the Group's 3rd Generation network until the end of 2030³⁰.
- c. 2X5 MHz in the 700 MHz frequencies band, for a period of 15 months up to October 2035; 2X10 MHz in the 2,600 MHz frequencies band for a period of 15 years, up to October 2035; and 80 MHz in the 3,500-

³⁰ For details on the shutdown of the 3rd Generation network see Section 13.2.1.(2) above.

3,600 MHz frequencies band until October 2030. The 700 MHz frequencies strip serves as a frequency to increase primary coverage for 4th Generation and 5th Generation services.

- d. Within the framework of the shared network with Wecom, use was made of 2X5 MHz in the 1800 MHz frequencies band (as detailed in Section 14.5.1(2)a above), 2X5 MHz in the 700 MHz frequencies band, for a period of 15 years; 2X10z in the 2,600 MHz frequencies band for a period of 15 years; and 20 MHz in the 3,500-3,600 MHz frequencies band, for a period of 10 years. These frequencies were allocated to it in June 2022.

The Ministry of Communications may, after four years have passed from the allocation of a frequency, reduce, with no compensation or proceeds, the range of frequencies in which the Group may operate, as a rule or in certain geographic regions, for the purpose of more effective utilization of the Israeli frequency spectrum, and may instruct the Group to share such a frequency with additional operators, in coordination with them.

In addition, inasmuch as the allocation of any of these frequencies is not extended or alternatively, the Company is not allocated additional frequencies, the Group might not be able to maintain the same level of cellular communications services it provides.

- e. In July 2023, after taking part in a monetary competition process in a tender published by the Ministry of Communications for the offering of 5th Generation frequencies in the 26 GHz range for a 10-year period, the Company received a message from the Tenders Committee according to which, inter alia, the Company had won 8 competitive bands with a bandwidth of 100 MHz each (800 MHz in total) at the starting price as set in the tender.³¹ As of the publication of this report, the competition money has yet to be allocated to the Company and accordingly the Company has not yet started paying fees for it.
- f. As of December 31, 2025 and through the end of January 2026, the Group was allocated 2×5 MHz in the 850 MHz frequency band, which had been used by the Group's 3rd Generation network until the end of

³¹ In July 2023 the Ministry of Communications published a policy paper that outlines the rule for allocating a 26 GHz frequency band (as well as a narrow band in the 2.1 GHz range) for the use of elements who are not cellular operators or domestic operator, for the purpose of operating private networks on a local basis (terrain polygon) for a project. Implementation of the policy will require regulatory adjustments to the communications regulation.

2030³². These frequencies were returned by the Company, except for a limited number of sites that continued to be operated by the Company within this frequency band until March 29, 2026. For further details, see Section 13.2.1(3) above.

14.5.2. Additional Frequencies Used by the Shared Network with Wecom

The frequencies Wecom won along with the Group in a frequencies tender held in 2020 and which were allocated to Wecom, are available for the Group's use in accordance with the terms agreed upon with it, including regarding their usage period.

14.5.3. Request to Replace Frequencies

In March 2020 the Ministry of Communications informed the Group and an additional cellular operator that they needed to replace the frequencies allocated to them in the 850 MHz frequency strip to frequencies in the 800 MHz strip, so that they will be compatible with European standards and with the area in which the State of Israel is located.

As of December 31, 2025, the Group's bandwidth in the 850 MHz strip was reduced from 10X2 MHz to 2x5 MHz and was migrated to an alternate band, and, as of the date of publication of this Report, in accordance with Section 13.2.1(1) above, it has been further reduced, except for a limited number of sites, which will also be shutdown by March 29, 2026. In accordance with a proposed outline for the allocation of frequencies announced by the Ministry of Communications to the Company over the course of November 2024, the Ministry of Communications intends to consider acting to allocate a bandwidth of 10X2 MHz on the 800 MHz frequencies band, via temporary allocation. According to the Ministry of Communications' message, these allocations will expire on December 31, 2030. Subsequently, in a decision published by the Ministry in April 2025, the Ministry announced that it had resolved to allocate to the Company, subject to the submission of an application, 10 MHz in the 800 MHz frequency band under a trial outline until the end of 2025. As of the date of publication of this Report, the aforementioned frequencies have not yet been allocated, and the Company is engaged in discussions with the Ministry regarding the allocation outline.

The completion of the aforementioned frequency replacement constitutes a process that will require substantial investments and the replacement of radio

³² For details regarding the shutdown of the 3G network, see Section 13.2.1(2) above. For details regarding the Ministry of Communications' requirement to replace frequencies, see Section 14.5.3 below.

equipment at the majority of the Group's cellular sites; this process is expected to take several years. The Company has submitted its position to the Ministry with respect to the proposed outline and is conducting discussions with it with a view to obtaining engineering and economic certainty regarding the outline.

14.6. **Trademarks**

As of the publication of this report, the Group has over 200 domains and nearly 60 trademarks and registration requests. The Group's primary trademarks are Cellcom, Talkman, Cellcom TV, Netvision and 013 Netvision, Golan Telecom and Dynamica.

In accordance with its needs, from time to time the Group files requests to register trademarks, keeps regular track of its trademark renewal dates and extends those it uses from time to time.

The trademarks in question, which include most of the Group's brands, help differentiate its services and products from its competitors.

14.7. **GSM Union** – the Group is a member of the global GSM Union, which concentrates various cellular operators from around the world who use GSM technology. As a Union member, the Group may use the Union's intellectual property rights, including use of the union's logo and trademark.

14.8. **Software rights** – the group makes use of software and computer systems, some according to licenses it purchased, and some developed by the Group. A significant portion of the licenses in question are restricted by time and are renewed on a periodic basis.

15. **Human Capital**

The Group's ability to achieve its strategic goals largely depends on the quality of its workers and therefore the group is working to recruit the most suitable candidates for each position and grant workers the training they require to carry out their tasks effectively. The Group assigns a great deal of importance to the fact that its workers are satisfied, while making sure of being efficient and productive. The Group implements a performance analysis system that analyzes, from time to time, employee performance and helps the Group improve their performance and remunerate them accordingly, as well as identification, retention and promotion of its best workers. In accordance with the Group's service approach, as of the publication of this reports, some 68% of the Group's workforce works in customer interface positions.

15.1. **The following is a description of the Company’s organizational structure As of the publication of this report:**



15.2. **Positions Roll**

The following are details of the number of positions in the Group³³:

	December 31, 2025	December 31, 2024	December 31, 2023
Management and HQ	29	29	33
Human Resources	128	129	140
Marketing	60	49	56
Customers*	1,689	1,700	1,899
Finance	85	91	100
Engineering and Information Systems	510	525	529
Total	2,501	2,523	2,757

* Units providing services to customers, including business customers, sales, retail array, customer home array and customer services.

³³ To be clear, the following data refers to positions in each segment (unlike the number of employees). In other words, a single full-time position may be comprised of two employees each in a half-time position. The data reflects the Group’s organizational structure as of 2025. Dat for previous years has been presented accordingly.

15.3. Training and Instruction

The Group, from time to time, sends its employees to various training programs, which include professional courses, general training in the field of customer services, executive training and so on.

Telephone and frontal customer service reps and other worker teams who come into contact with customers, undergo extensive training before they start carrying out their duties in the Group and regular training during it, in accordance with the nature of their duties.

15.4. Employment Conditions

The Group has personal employment conditions with its workers, some of whom earn a global monthly salary and some of whom are employed for monthly or hourly salaries. Most service and sales workers have a performance-based incentive. In addition, most Group workers are subject to the terms of the collective agreements at the Group. The vast majority of Group workers has signed confidentiality and non-compete agreements. For details on the collective agreements see Section 15.5 below.

Engagements with officers and members of senior management at the Group is also in accordance with terms set in personal agreements, by way of employment as employees, after detailed negotiations, subject to (with respect to Company's officers) the Company's compensation policy, which was recently approved as stated in Section 15.615.5 below. For details regarding remuneration for Company officers see Regulation 21 in Chapter D (Additional Information Regarding the Corporation) in the Periodic Report.

15.5. Collective Agreements

15.5.1. Previous Agreements

(1) **Cellcom and Dynamica**

As of April 20, 2021 upon the execution of a collective agreement between Cellcom and Dynamica and the New General Workers' Histadrut – Cellular, Internet and High-Tech Workers' Union – the workers' committee ("**the Workers' Committee**" and the "**Previous Collective Agreement**" as the case may be), the collective agreements apply jointly to Cellcom and Dynamica (which are defined together as a "company" for the purposes of the Collective Agreements) and on Cellcom employees and dynamical employees (defined together as "**Company Employees**").

(2) **Golan**

As of January 2023, upon the execution of a special collective agreement between Golan and the New General Workers' Histadrut and the Workers' Committee ("**the Golan Agreement**"), the collective agreements apply jointly to Cellcom and Golan (which are defined together as a "company")

for the purposes of the Collective Agreements) and on Cellcom employees and Golan employees (defined together as “**Company Employees**”).

15.5.2. Collective Agreement 2024³⁴

On March 11, 2024 the Company, Dynamica Communications Chain Stores Ltd. and Golan Telecom Ltd. (both companies fully (100%) owned by the Company) engaged in a collective agreement with the Workers’ Committee and the New General Workers’ Histadrut (“**Collective Agreement 2024**”) For a period of three years (2024–2026), the Collective Agreement 2024 applies to all Company employees (as defined in the aforementioned agreements), except for a limited number of employees in certain positions who are excluded from its scope includes policies and employment terms similar to those customary in the Company and as set forth in previous collective agreements applicable to Cellcom, Dynamica and Golan (including, inter alia: social benefits (such as pension contributions, sick pay, convalescence pay, clothing, vehicle, participation in meal expenses, etc.); contributions to an advanced study fund (for employees who have completed 36 months of employment with the Company); participation in the operating profit of the Cellcom Group; various procedures relating, inter alia, to the hiring of employees as probationary employees and, after 42 months (3.5 years), the attainment of permanent employee status (subject to the conditions set forth in the agreement); filling positions within the Company; changes in place of employment and termination of employment; and the regulation of the Employees’ Committee’s entitlement to recommend one director to the Company’s board of directors). The Collective Agreement 2024 provides for a number of changes, including granting salary additions to eligible workers at a rate of 3% in 2024 and of 3.5% in 2025 and 2026 (with certain offsets set), where part of the amount is subject to the discretion of the management; granting an additional salary bonus at the rate of the increase in minimum wage in 2026 for workers with a certain level of seniority and who meet the criteria; payment of a one-time bonus paid a group of employees with certain seniority at the Company who are entitled to it (“**the Bonus**”); granting a personal budget for the purpose of purchasing welfare products and services, as well as increasing the budget for welfare activities; limiting the budget of bonuses granted employees for participation in Company profits; payment of a special

³⁴ For details on the notice by the General Workers’ Histadrut on a work dispute in January 2024, the new collective agreement has not yet been written, see the Company’s immediate report from January 10, 2024 (reference no. 2024-01-005436), included in this report by way of referral.

one-time bonus to entitled employees (as defined in the Collective Agreement 2024) which was paid upon the completion of the transfer of control in the Company during 2024. .

The Collective Agreement 2024 exhausts the parties' claims until December 31, 2026 for the subjects regulated in it, and includes the parties' obligation to maintain industrial quiet on the subjects regulated in it. The work disputes declared at the Company from January 10, 2024 and June 14, 2022 have been cancelled.

For additional details see Note 30.e to the Financial Statements.

15.5.3. Special Collective Agreement as of December 2025

On December 1, 2025, the Company, Dynamica and Golan entered into a collective agreement with the employees' committee and the Histadrut – The New General Federation of Labor in Israel, pursuant to which, inter alia, a time-limited framework for voluntary termination of employment was agreed upon, under which, for a period of several weeks, eligible employees could apply to terminate their employment with the Company on preferential terms, including a severance grant. Any such application is subject to the Company's approval. Pursuant to this agreement, the Company approved the retirement of 77 employees on preferential terms, including severance grants, at an aggregate cost to the Company of approximately NIS 12 million (before tax), the expense in respect of which was recognized in the Company's financial statements for the fourth quarter of 2025. The annual savings expected to be generated for the Company as a result of the retirement of such employees amount to approximately NIS 18 million (before tax).

15.6. **Employee Remuneration Programs**

15.6.1. Performance-based employee remuneration – some of the Group's employees (who are not officers) are entitled (if the terms detailed in the collective agreement employed by the Company are met) to a yearly bonus based on the Group's performance and their personal performance.

15.6.2. Capital remuneration for employees – the Company has an options plan and/or RSUs for employees, officers and service providers at the Group. For details on an outline and an immediate report from the Company on granting options to officers, executives and other Company employees, see the Company's immediate report from February 9, 2025 (reference no. 2025-01-009579) included in this report by way of referral.

15.6.3. Compensation policy – on June 26, 2025, the General Meeting of Company Shareholders, after receiving the recommendations of the Remuneration

Committee and the approval of the Board of Directors (inter alia), ratified the remuneration policy for Company officers (in effect as of June 26, 2025). For additional information see a Notice of Shareholders Meeting (Supplement) dated June 12, 2025 (Reference No.: 2025-01-042336). On March 17, 2026, the Company's Board of Directors approved (following the approval of the Company's Compensation Committee) an amendment to the compensation policy. The Company will publish a notice convening a general meeting of its shareholders shortly after the publication of this report.

16. **Suppliers**

The Group has agreements with a large number of suppliers to purchase communications equipment, information systems, content services, end equipment and more.

16.1. **Primary Suppliers**

The Group considers the primary supplier to be a supplier from whom the total yearly scope of the Company's purchases exceeds 10% of the Group's total yearly purchases. Accordingly, Samsung International Co. Accordingly, Samsung International Co. Ltd. (“**Samsung**”) and Apple Distribution International (“**Apple**”) are primary Group suppliers for 2025, as the rate of the Group's purchases from them from the Group's total purchases in the period in question constituted 13.11 and 14%, respectively.

16.2. **Dependence on Suppliers**

Some of the Group's suppliers are suppliers the discontinuation of the engagement with whom may negatively impact the quality of some of the Group's services or lead to the cancellation of its licenses as a result of their failure to comply with the requirements of the licenses and therefore they may be considered suppliers upon which the Group is dependent. The following are details regarding these suppliers:

16.2.1. **Cellular Network Equipment**

- (1) The Company has a framework agreement with NSN Israel, which belongs to the Nokia Networks Group, an international networks manufacturer, to purchase an LTE network that also supports LTE-Advanced (4.5 Generation) technology, purchase of advanced 4th Generation and 5th Generation technology and purchasing associated components and services. This agreement also applies to the purchase of equipment and services provided within the framework of the Group's previous agreement with NSN Israel, in connection with the core system, the radio network and associated services in accordance with the Group's

IMS/HSPA/UMTS/EDGE/GPRS/GSM networks³⁵. The Group has also entered into an agreement to build and operate a 5th Generation network core (standalone) and communications systems IP. By virtue of the agreement, the Group may also purchase maintenance services.

- (2) The Company has an agreement with LM Ericsson Israel Ltd. to purchase a radio network and associated services using UMTS technology, upgraded UMTS/HSPA products and associated products. In December 2011, the Company engaged in an agreement with LM Ericsson Israel Ltd. to purchase upgraded UMTS/HSPA products and associated products. By virtue of the agreement, the Group may also purchase maintenance services
- (3) The Group uses the smart network platform from Telcordia Technologies, Inc. (purchased by Ericsson), which provides services for the Group's cellular networks and allows, at low costs in short periods of time, the internal development of smart services adapted to the requirements of the Israeli market. The Company is currently replacing this system with a new system manufactured by Ericsson.

16.2.2. End Equipment

- (1) Samsung provides the Group with Samsung-branded cellular phones additional products and space parts for these devices. The terms of purchase, including the price, are determined from time to time by negotiations between the parties.
- (2) Apple provides the Group with iPhone-branded cellular phones additional products and space parts for these devices. The terms of purchase are set in the agreement to purchase and distribute iPhone products in Israel.

16.2.3. Internet Infrastructure

- (1) The Group has a number of agreements with TIS and Exelera for the purchase of usage rights for certain capacities of undersea communications cables connecting the Israeli internet to the global internet, as well as maintenance and operation services for this infrastructure. The usage rights purchased by the Group will be in effect with TIS until 2027 with a 5 year extension option, until 2032, and with Exelera until 2031.
- (2) Starting 2015 the Group has been purchasing Bit Stream Access (“BSA”) internet services from Bezeq in accordance with wholesale market terms regulating both the specifications of services and the service prices, which

³⁵ IMS (IP Multimedia Subsystem) is a software system that allows the transfer of multimedia services (such as voice, video and text messages) over IP networks such as VoLTE and VoWIFI.

include a fixed element and a component based on the required capacity the Group needs for its customers. Starting July 2021, the Company has purchased this service from Bezeq also on Bezeq's fiber optic infrastructure, with the maximum service price being fixed regarding the speeds defined in the regulation rules (for details see Section 22.6.2 below).

- (3) For the agreement between the Group and IBC to purchase indefeasible rights of use (IRU) in the IBC fiber optic infrastructure, see Section 18.1 below.
- (4) The Company has an agreement to purchase a transmission and IP network manufactured by Cisco Systems Inc. (“Cisco”). The Group also purchases maintenance services from Cisco for this system and for other IP systems.

16.2.4. Other Suppliers in the Field of Terrestrial Communications

- (1) The Group has an agreement with Ribbon Communications for the maintenance of the domestic communications network used to provide domestic operator call services.
- (2) The Group has an agreement with Enghouse that provides the group with international switches and maintenance services.
- (3) BroadSoft Inc. (of the Cisco Group) provides the Group (through a local integrator) a system for the provision of advanced line-based switchboard services solutions for business and private customers.

16.2.5. Equipment and Contents for Television Services (OTT)

- (1) The Company has an agreement with Kaltura Europe Ltd. to purchase a platform and provide cloud-based content management service for the Group's OTT television service. The platform allows, inter alia, assimilation, management, distribution and analysis of the content.
- (2) From time to time the Company enters into agreements to purchase broadcasting rights and receives a license to use content with third parties for various periods of time, including, among others, Charlton Ltd., the RGE Group, Keshet Broadcasts Ltd., and Reshet Media Ltd.

16.2.6. Information Systems

The Group uses a variety of information systems that allow the supply of customer services while improving internal processes at the Group. The Group's billing and CRM (customer relations management) systems are mainly supported internally by the Group. As of the publication of this report, the Group is continuing to develop additional modules for the Company's CRM system (the customer service system for the mobile and terrestrial segments), which it developed itself. In 2021 this system replaced some of the systems used by the Group, and since June 2021, as a rule, the Group regularly develops

new modules independently, including supporting the sales processes and work processes with private and business customers.

The following are the Group's primary suppliers of information systems:

- (1) The Group uses an Amdocs system for customer billing.
- (2) The Company uses an Avaya system for managing incoming calls to the Group's call centers and direct calls in a call back configuration.
- (3) The Group uses ERP solutions provided by SAP, which starting January 2024, are regularly maintained by SAP (and were previously maintained by Remini).

17. Working Capital

The Group's working capital is comprised of customer credit and supplier credit as detailed below.

17.1. Customer³⁶ and Supplier Credit

17.1.1. Credit from end equipment sales transactions – the Group grants its customers who have purchased end equipment, the option to spread payments into up to 36 equal installments. In order to reduce the risks in connection with credit exposure, from time to time the Group examines its credit policy and within this framework, the Group examines the financial fortitude of its customers (in accordance with parameters set by it).

17.1.2. Credit from monthly billing for communications services – the Group's customers are debited once per month on various dates for the consumption of communications services for the previous month.

Most Group customer payments are through monthly billing with credit cards.

17.1.3. The Group receives credit from its suppliers for variable periods, in accordance with agreements with the various suppliers³⁷.

17.1.4. The following is data on customer and supplier credit for 2023, 2024 and 2025:

	2025		2024		2023	
	Scope of Credit in NIS Millions	Average Days of Credit	Scope of Credit in NIS Millions	Average Days of Credit	Scope of Credit in NIS Millions	Average Days of Credit
Customers for the Sale of End Equipment*	479	139	495	130	382	116
Customers for services*	395	50	432	56	490	63
Suppliers	713	67	808	61	811	64

* Less doubtful debts

³⁶ From time to time the Company performs factoring for customer credit regarding certain types of activity at sums not material to the Company.

³⁷ The Company performs factoring on payment to certain suppliers at sums not material to the Company.

17.2. Working Capital

17.2.1. The following is data on the Group's working capital NIS millions:

	As at December 31, 2025	As at December 31, 2024	As of December 31, 2023
Current assets	616	558	1,635
Current liabilities	1,935	2,083	981
Surplus (current liabilities) on current assets.	(319)	(525)	(346)

17.2.2. For details on working capital deficit and the Company's policy and its plans for dealing with the deficit in question, see Section 5.1 of the Board of Directors Report.

18. Investments

18.1. **The Group's investment in IBC** – Until October 2025, the Group held an interest in IBC pursuant to an investment transaction dated July 2019. As noted above, IBC is a communications company that offers communications infrastructure services in Israel by the deployment of fiber optic, including on the electric infrastructure of the IEC. The aforementioned investment transaction in IBC comprised several agreements, the principal terms of which are set forth below:

18.1.1. **Partnership agreements and share purchase agreements** – In July 2019, the Company entered into agreements with TIS and the IIF for the formation of a limited partnership (the IBC Partnership), jointly owned in equal portions, which acquired 70% of the shares of IBC concurrently IBC Partnership, the IEC, IBBC and other main shareholders and creditors of IBC entered into a framework agreement in which the IBC Partnership purchase 70% of the issued and paid-up share capital of IBC through an investment of a total of NIS 110 million in IBC by the IBC Partnership (of which the Group paid a half) (“**the Proceeds**”), with most of the sum given to IBC as a shareholders' loan (the loans are linked to the Consumer Price Index and were given at interest rates of 4%-6% above the highest senior debt). According to the share purchase agreement, the balance of 30% of IBC's issued and paid-up share capital held by the IEC. In addition, IBC Partnership entered into a shareholders agreement with IEC that formalized the management of IBC, including certain arrangements with respect to the financing of IBC, and dilution (and non-dilution, in certain circumstances) of the shareholders not participating in the financing.

In February 2021, an investment transaction by HOT (together with its affiliated entities) in IBC was completed, pursuant to which HOT became an equal partner in the IBC partnership (such that each of the partners in the partnership indirectly held 23.3% of IBC's share capital), by making an investment substantially equivalent to the investment made by each of the Group and IIF until the completion date of the aforementioned transaction. In addition to standard and customary terms and conditions, the transaction included an undertaking to significantly expand the deployment of IBC's fiber-optic network in the coming years. Furthermore, the investment agreements included additional corporate governance rights and other mechanisms, including rights of first refusal, tag-along rights, as well as put option mechanisms granted to the Company.

- 18.1.2. Services agreement with the IEC – the IEC and IBC entered into an agreement that updates the existing IBC agreement for usage rights and the provision of services to the IBC fiber optic network deployed on IEC infrastructure. The services agreement with the IEC includes updated and improved prices and arrangements with respect to IBC's exclusive right to distribute optical fiber over the IEC's power grid, and regarding other services provided by the IED to IBC in this regard.
- 18.1.3. Agreements between HOT and IBC – As part of HOT's joining the IBC partnership. HOT undertook to purchase an IRU in IBC's fiber-optic infrastructure. In addition, HOT entered into service agreements with IBC, pursuant to which IBC undertook to purchase certain services from HOT and is entitled to purchase additional services. It should be noted that IBC also undertook to continue purchasing from the Group certain services provided to it by the Group, beyond the completion date.
- 18.1.4. Approval of the Ministry of Communications for the transaction including amendments to the IBC license, including a commitment to deploy the network so that 1.7 million households are accessible to the network within 5 years of March 2021, which as a rule reflects the contractual agreements in the transaction, as noted above, as well as provide a shelf offering report to each operator interested in purchasing its services
- 18.1.5. IRU Purchase agreement in IBC fiber optic infrastructure –
 - (1) In accordance with the agreement updated upon the completion of HOT's investment transaction in IBC, the Group undertook to purchase from IBC

an IRU in IBC infrastructure lines at a rate of 10% (which would gradually increase to 15%)³⁸ from customer homes in buildings connected to the IBC fiber optic infrastructure (“**Home Pass**”), all in accordance with the deployment of the fiber optic infrastructure that will be carried out by IBC over the course of the 15 years from the start of the provision of services by IBC (“**the First Services Period**”) (including an option to extend the use of lines for additional periods of 5 years each across the life span of the IBC network³⁹ so long as it is not extended beyond the earlier of certain dates⁴⁰, for no additional proceeds with the exception of the payment of yearly maintenance fees). The IRU payment varies in accordance with the actual deployment of the Home Pass infrastructure by IBC, and grow each quarter in accordance with the added infrastructure deployed that quarter, this until the deployment of 2 million customer homes (“**the Obligation Limit**”) (for details on a dispute between the Company and IBC and some of its stakeholders, on the matter of (inter alia) the expansion of a deployment carried out by it as well as in the matter of the Company's commitment to purchase infrastructure lines from the new deployment, see Section 18.1.5 below. The IRU payment will be made, as a rule, in 36 quarterly installments (9 years) plus fixed yearly interest set in advance and plus yearly maintenance fee payment. To guarantee all of the payments the Group is required to make in accordance with the agreement, it is providing IBC with autonomous bank guarantees, according to a mechanism set and at a scope that does not exceed NIS 50 million. For the Group's estimates on the impact of this agreement on the Company's competitive status, see Section 12.4 above. As of December 31, 2024 and December 31, 2025, the accumulated amount of the Home Pass is 2 million and 2.4 million, respectively.

- (2) On March 26, 2023, the Group entered into an additional agreement with IBC (“**The Agreement**”) in which it was determined, inter alia, that the scope of IBC's deployment would be expanded and amount to 2 million customer households. It was also determined (inter alia) that starting July 1, 2023 the Group's obligation to purchase from IBC an IRU for the IBC communications lines would amount to a rate of no less than 12.5% of the

³⁸ The Group's liability amounted to 15% until the completion of HOT's investment transaction in IBC, and since then (and until June 30, 2023, as will be detailed below in the matter of engagement in a new agreement from March 2023), amounted to 10%.

³⁹ The period ending on the date in which IBC's condition requires a material investment in order to ensure that the IBC network is usable, and in any event, no less than a period of 25 years from the agreement date.

⁴⁰ The period in question shall not be extended beyond the earlier of the following dates: (1) the expiry of the Company's license to provide infrastructure services, not as a result of the violation of the terms of the license by IBC, but in any event not before 2043; and (2) the end of the period of the service and usage right agreement between IBC and the IEC, but in any event not before 2043. IBC undertook to act in good faith to extend the periods in question beyond 2043.

homes of customers connected to the IBC network (in lieu of 10%, set upon the engagement in the original agreement) and will reach 15% (starting July 1, 2024 and until the obligation limit in question) (“**the Revised Obligation Rate**”), all regarding the balance of the first services period. It was also decided in the agreement that the proceeds paid by the Company for the infrastructure lines would be adapted to the commitment rate updated as noted and the scope of deployment of the IBC network as noted in the agreement.

In light of IBC’s commitment to work to expand the deployment of its infrastructure beyond its obligations in accordance with the terms of its license, the Group undertook that it would purchase IRU services on infrastructure lines from IBC only, for a fixed period of no less than 3 years and under certain agreements, all as detailed in the agreement.

It was also agreed that the Group would receive a quarterly discount at a variable rate for the maintenance fees paid by virtue of its IRU agreement with IBC, starting July 1, 2023 and until December 31, 2025, at sums not material to the Company.

- (3) The New Deployment – following the above, in the matter of the Company's obligation within the framework of the IRU agreements with IBC and in the matter of the deployment of the IBC infrastructure, IBC expanded the deployment, which, as reported to the Company. Amounted to approximately 2.4 million households as of December 31, 2025 (“**the New Deployment**”).
- (4) There is a dispute between IBC and some of its rights holders in connection with decisions made by IBC and the IBC Partnership pertaining to the redeployment goal and its implementation, as well as in the matter of the Company's obligation to purchase infrastructure lines from the redeployment, with the Company's position (including in accordance with the legal counsel it received) being that at the most, according to the system of agreements between the parties (according to which the Company undertook to purchase infrastructure lines as a share of the total deployment up to 2 million households), it has no obligation to purchase such lines. The Company announced its position to the IBC accordingly. Further to the foregoing, in May 2025, the Company filed a claim with the District Court in Tel Aviv-Yafo against IBC, in which the Company sought, inter alia, that the Court declare and order that IBC’s claims, according to which the Company is obligated to purchase infrastructure lines in the scope, at the

times and in the amounts demanded by IBC, should not be accepted, and that IBC's interpretation in this regard is erroneous and should not be acted upon; that IBC be precluded from acting in accordance with such erroneous interpretation; and that IBC be precluded from exercising self-help remedies under the IRU Agreement, including being prohibited from taking any action to terminate the agreement and/or discontinue and/or suspend and/or delay any of the services thereunder and/or from taking any action to realize the guarantees (or any of them) provided by the Company pursuant to the said agreement (for details regarding the aforementioned guarantees, see Section 18.1.5(1) above).

It should be noted that, on November 17, 2025, the Company received a statement of defense and a counterclaim filed by IBC, pursuant to which, inter alia, monetary relief in the amount of approximately NIS 16.5 million, as well as declaratory relief, were sought. In addition, IBC realized an amount of approximately NIS 16.5 million from the guarantees provided by the Company, which, according to the Company's position, was done unlawfully and in breach of the IRU Agreement. At this stage, the Company cannot estimate the results and implications of the dispute in question

18.1.6. Sale of the Company's Holdings in IBC

In May 2025, the Company received a notice (the "**Notice**") from HOT and IIF, pursuant to which, on May 11, 2025, HOT and IIF received a binding offer (the "**Offer**") from a corporation within the Phoenix Group (the "**Purchaser**"), for the acquisition of all of their holdings in the IBC Partnership and in the general partner of the IBC Partnership (the "**General Partner**") (together, the "**Sold Holdings**").

Further to the aforementioned Notice, and in accordance with the provisions of the IBC Partnership Agreement and the provisions of the shareholders' agreement of the General Partner regarding the Company's right of first refusal, in June 2025, the Company's Board of Directors resolved not to exercise its right of first refusal, and subsequently resolved to exercise its tag-along right with respect to the sale of all of the Company's holdings in the IBC Partnership. On October 31, 2025, following the fulfillment of all conditions precedent (including the approval of the Competition Authority dated August 20, 2025, the approval of the Ministry of Communications dated October 29, 2025, and the approval of IBC's financing entities for the transaction), the transaction was completed and the Company received consideration in the amount of

approximately NIS 520 million. As a result of the completion of the transaction, the Company recorded, in its financial statements for the fourth quarter of 2025, a pre-tax gain in the amount of approximately NIS 386 million; see Note 30(f) to the financial statements. It should be noted that the transaction does not affect the existing agreements between the Company and IBC

19. **Financing**

The Group finances its activity through cash flows from ongoing activity, taking loans/credit from banking corporations and financial corporations, as well as through the issue of securities, including debentures, commercial securities and regular shares.

19.1. **Average and Effective Interest Rate**

The following are details of the average interest rate and the effective interest rate on short and long-term Company loans and debentures (including current maturities) in effect, or which were in effect over the course of 2023, 2024 and 2025, which were not intended for unique use by the Company, while distinguishing between bank credit sources and non-bank credit sources:

	2025		2024		2023	
	Average Interest Rate	Effective Interest	Average Interest Rate	Effective Interest	Average Interest Rate	Effective Interest
Non-Banking Sources – CPI-Linked	2.45%	2.62%	2.17%	3.80%	2.09%	4.14%
Non-Bank Sources – Unlinked NIS	3.38%	4.28%	3.33%	4.22%	3.28%	4.18%
Bank Sources – Unlinked NIS	4.75%	4.74%	4.73%	4.93%	-	-
Total liabilities	3.52%	4.29%	3.38%	4.26%	3.14%	4.18%

19.2. **The Company's Debentures and Commercial Securities**

As of this date, there are outstanding debentures from Series J to M issued by the Company (“**the Debentures**”) and commercial securities not listed for trade.

For details on the Company's debentures and commercial securities, see appendix to the Report of the Board of Directors as well as Note 18 to the Financial Statements.

19.3. **Credit and Loans from Banking Corporations and Financial Corporations**

19.3.1. For details on loan and credit agreements that are material as of the publication of the date or which were in effect during the reported period, see Note 18c to the Financial Statements.

19.3.2. The Group engages from time to time with financial corporations, over the regular course of business, in framework agreements for the receipt of various

banking services, such as credit frameworks, hedging transactions and factoring transactions.

19.4. **Limitations on the Receipt of Credit**

19.4.1. Restrictions by virtue of deeds of trust for the holders of Company debentures – for details in the Company's obligation to comply with financial covenants, restrictions on distribution and additional restrictions as they appear in the deed of trust of the debentures (Series I-M) issued by the Company and not yet redeemed, see Note 18b to the Financial Statements.

19.4.2. Restrictions by virtue of agreements with financial and banking corporations – for details on existing restrictions in framework agreements for the provision of credit to the Company with financial and banking corporations, see appendix to the Report of the Board of Directors.

As of December 31, 2025 and the publication of this report, the Company is in compliance with all of the financial covenants and other restrictions applicable to it by virtue of the deeds of trust for holders of the Company's debentures and by virtue of agreements with financial and banking corporations.

19.5. In accordance with Legal Position number 104-15 “Reportable Credit Events” from the Securities Authority from October 2011, as updated in March 2017, February 2023 and January 2024 (“**the Authority’s Position**”), the Company has debentures at a total sum (principal) of NIS 1,354 million, commercial securities to a total sum of NIS 200 million and as of December 31, 2025 unused binding credit frameworks from banking bodies and institutional bodies to the sum of NIS 600 million, which include (each framework agreement according to its terms) a material cross-default stipulation (as this term is defined in the Authority's Position), subject to quantitative threshold conditions as set in the agreements⁴¹. In accordance with the above, in the event of the existence of a material cross-default cross stipulation in one or more of the above loan agreements, and subject to the quantitative threshold set in any such loan agreement, there may be a right to place all of the loans detailed above for immediate redemption. For details on material financial criteria in the Company's loans, as noted above, see Note 18 to the Financial Statements as well as the appendix to the Board of Directors’ report.

19.6. **Guarantees**

For details on bank and other guarantees given by the Company, see Note 31.b. to the Financial Statements. For details regarding additional collateral for the Ministry of Communications and IBC, see Section 22.4.2 and 18.1.5(1) above. For details on

⁴¹ Note that in such agreements and in the deed of trust to the debentures, there is a threshold sum for the material cross-violation stipulation that exceeds NIS 150 million, except regarding a cross-default caused by a different Company debenture series, for which no such threshold sum exists.

guarantees provided by the Company in favor of Cellcom Energy engagements and for financial bodies providing credit for Cellcom Energy, see Note 31.b.2.c to the Financial Statements.

19.7. Credit Rating

As of the publication of this report, the Company and the Company's debenture series (Series J through M) are rated ilAA- Stable by Standard & Poor's Maalot Ltd. ("Maalot"), with the latest rating date of the Company and the debentures (Series J to M) being August 7, 2025.

As of the publication of this report, the Company's series of commercial securities (Series 1) is rated ilA-1+ with a stable rating outlook by Maalot, with the final rating date being August 7, 2025.

For further details on the rating history of the Company's debentures and commercial securities, including changes occurring in such ratings, see appendix to the Report of the Board of Directors.

19.8. Raising Additional Resources.

On April 18, 2024 the Company published a shelf prospectus (reference no. 2024-01-039187). The shelf prospectus in question allows the Company to offer and sell various securities including debt and capital in Israel.

20. Taxation

For details regarding tax laws applicable to the Company and the Company's tax assessments, see Note 29 to the Financial Statements.

21. Environmental Risks and their Management

21.1. General

The Company works to protect the environment and reduce its impact on the environment and landscape. The Group dedicates personnel, money and technology to reduce its ecological footprint, inter alia, through the effective deployment of infrastructure, recycling electronic components, reducing the use of paper, reducing polluting emissions, collecting used batteries, issuing a monthly invoice and other correspondence with customers via email, WhatsApp or text messaging, separation between different types of waste and purchasing electricity manufactured by a private natural gas-based power plant. Furthermore, the Company, through Cellcom Energy, is engaged in purchasing electricity for its customers from solar fields integrated with energy storage facilities, on a significant scale.

21.2. Non-Ionizing Radiation

End equipment and various types of cellular antenna types are known to emit non-ionizing radiation and are subject to regulation, including the Radiation Law and serve as the subject to public debate and concerns. The International Cancer Research Agency (a

World Health Organization agency) has classified the electromagnetic radio frequency fields as a possible factor for cancer among humans, based on the increased risk of Glioma, a malignant form of brain cancer, in connection with the use of cellular phones. There are various existing and current studies on the connection between electromagnetic radiation and the use of cellular devices and the risk of cancer and other health issues.

The guiding principle in the subject to exposure to non-ionizing radiation in general and cellular telephones in particular is the principle of preventive caution. Recommendations on this subject have been published by the authorities, including the Ministry of Health and Tnuda, the national knowledge center for the impact of non-ionizing radiation on health. According to Tnuda's recommendations, exposure to radiation emitted from cellular devices can be decreased by simple measures, in accordance with the following principles: distance, time, strength. There are also special recommendations regarding infants, children and youths, who are considered at-risk populations in all matters pertaining to the health impact of various exposures.

In addition, in March 2020 the International Commission on Non-Ionizing Radiation Protection (ICNIRP) revised the guidelines for protection from radio frequency radiation published by it in 1998. The exposure limits underwent a process of examination and validation in the 22 years from the previous publication and were updated on the basis of scientific knowledge accumulated in this period.

21.3. **Establishing Base Sites**

The regulation of the deployment of base sites and cellular broadcasting facilities, their construction and the required approvals, are mainly anchored in the Radiation Law, the Planning and Construction Law and TMA 36. For details on the provisions of the Planning and Construction Law in connection with the deployment of base sites and broadcasting facilities as noted, see Section 22.5 below.

According to the Radiation Law, cellular sites or facilities may not be built or operated without a construction permit and an activation permit from the Ministry of Environmental Protection. Receipt of a construction permit from the Ministry of Environmental Protection is a precondition for the receipt of a building permit from the Planning and Construction Committee or an exemption from it, and the receipt of a building permit or exemption from one is a precondition for the receipt of an activation permit from the Ministry of Environmental Protection. Both regarding a construction permit and regarding an activation permit, the applicant must present the measures taken (including technological measures) to limit the exposure levels from each base site or cellular facility).

The construction permit shall be in effect for a period not exceeding three months, unless it has been extended by the Radiation Supervisor at the Ministry of Environmental

Protection “**the Radiation Supervisor**”), and the validity of the activation permit is for a period of five years, subject to the submittal of yearly radiation surveys for other sites or facilities, conducted by third parties certified to do so by the Radiation Supervisor. The construction and/or activation permits have various terms detailed that regulate the construction and/or activation of the sites. The Group receives construction and activation permits for the Group's cellular sites and broadcast sites from the Radiation Supervisor within the relevant time framework. In addition, cellular operators, including the Group, are required to provide the Radiation Supervisor with ongoing online data on the outputs of each of their cellular sites or other broadcasting facilities. The Group transfers the required data to the Radiation Supervisor.

The Radiation Law regulates permitted radiation exposure levels, supervision of the activity of the cellular sites and/or broadcasting facilities and grants the Supervisor the authority to order the evacuation of a cellular site or some other broadcasting facility operating in violation of the permit. In addition, the Radiation Law, imposes criminal sanctions on the Group and its officers for violating the law. Failure to comply with the terms of the Radiation Law or the terms of the permit may lead to the cancellation of the permit or its delay and the delay of the permit for additional sites of the same operator.

21.4. **End Equipment**

Cellular services are provided using end equipment emitting non-ionizing radiation.

The Consumer Protection Law (Information on Non-Ionizing Radiation from Mobile Telephones), 2002 (“**the Radiation Regulations**”), determine how customers are informed in this context. The Radiation Regulations and the information booklet they publish set the maximum level of radiation of a mobile telephone device, measured according to SAR data⁴². The SAR level of the prototype of each model is measured by the manufacturer. To the best of the Group's knowledge, the models of the end equipment marketed by it meet the SAR level required by law. At the same time, the Group does not carry out SAR tests for end equipment and relies on manufacturer publications for each model. The Group receives certain approvals from the Ministry of Communications and the Standards Institute in the matter of importing end equipment. The approvals required that the model meet all relevant standards, including SAR levels. The Group publishes information on its website on the level of SAR emitted from cellular phones, and refers to the recommendations of relevant authorities regarding preventive rules of caution when using cellular phones.

⁴² The SAR test is carried on a prototype of each model and not on each individual device. Therefore, the Group has no information on SAR level of the end equipment over the course of the equipment's life span, including after its repair. The Group informs its customers that in the event of equipment repairs, there may be changes at the SAR level.

21.5. **Material Environmental Events or Matters**

As of the publication of this report, to the best of the Group's knowledge it is not exposed to material environmentally related events or matters.

21.6. **Material Environmental Legal or Administrative Proceedings**

As of the publication of this report, to the best of the Group's knowledge it is not a party to any environmentally related legal or administrative proceedings.

21.7. **Group Policy with Respect to Environmental Risks Management**

The Group implements a work procedure regarding the acquisition of base sites and site licensing, environmental licensing procedures for the base site and periodic radiation tests, which the Group conducts, *inter alia*, in order to ensure compliance with legally binding standards.

In the matter of conducting periodic radiation tests and transferring ongoing data online to the Commissioner in the matter of the outputs of each of the Group's base sites or other broadcasting facilities, see Section 21.3 below.

22. **Restrictions and Supervision of Group Activity**

The following are details on laws, regulations, guidelines and additional matters under regulatory supervision, which are material to the Group's activity, including references to legislative or regulatory initiatives, that to the best of the Group's knowledge are in various stages of legislation or regulation, but where there is no certainty that they will be accepted and if they are accepted, what the final text of the legal provisions or licensing be in the matters described in their regard.

22.1. **General**

The Israeli communications market is characterized by a high and dynamic level of regulatory involvement in the business of the companies active in the field. A material portion of the Group's activity is subject to the Communications Law, regulations passed by the Ministry of Communications and the provisions of the licenses granted the Group by the Minister of Communications. According to the Communications Law and the Telegraph Order, the supply of various communications services in Israel is stipulated on the receipt of a license and the allocation of frequencies for these services, and some of them are stipulated on registration on the Registry in accordance with the Registry Regulations.

In addition, the Group's activity is subject to legal provisions that regulate the relationship and the method of engagement between it and its customers. These legal provisions include, *inter alia*, the Consumer Protection Law and the Protection of privacy law, as well as unique legal provisions for its area of activity as detailed below.

In addition, the Group's activity is subject to general legal provisions, including competition law, contract law, imports and quotas, regulations, accessibility, labor law and business licensing.

22.2. **Communications Law**

22.2.1. The Communications Law

- (1) According to the Communications Law, the provision of cellular services, fixed line telephone services, international telephone services and internet services are stipulated on the receipt of a license from the Ministry of Communications or listing in a registry managed by the Ministry of Communications. For further details see Section 22.4 below.
- (2) The interpretation and implementation of the provisions of the Communications Law, the resulting regulations and licenses are not certain and are subject to changes. In the past, disputes arose between the Ministry of Communications and the Group in this context and disputes may arise in the future as well. The Communications Law and resulting regulations grant the Ministry of Communications extensive regulatory oversight authority in all matters pertaining to the Group's activities. The Ministry of Communications may change the Group's licenses or the registry regulations and/or the regulatory guidelines without its consent and in a manner that may restrict the Group's freedom to manage its business and harm its operating results. Frequent changes in licenses and/or legislation, or changes made to the timetable that the Group cannot uphold, may increase the risk of not meeting the terms of the Group's licenses or the violation of legislation and accordingly, the Group's exposure to suits and regulatory sanctions. The Ministry of Communications has the authority to impose material sanctions in the event of the violation of the licenses or laws and relevant standards, as well as the authority to cancel the licenses, in the event that the Group materially violates their terms.
- (3) The Communications Law also compels the Company to operate in accordance with the guidelines of the Israeli General Security Services, which may include the demand that various officers and executives have Israeli citizenship and residence and have security classification. In addition, the Communications Law certifies the Minister of Communications to appoint a state employee with security classification to serve as observer at the meetings of the Board of Directors and its committees. Furthermore, the Communications Law states that in the event that the Israeli Government determines that the service provided by the

Company is a “vital service”, the Prime Minister and the Ministry of Communications will be entitled to impose additional restrictions, including increased demands for Israeli ownership of Company shares.

- (4) On October 2, 2022 the Registry Regulations came into effect, by virtue of which the 76th Amendment to the Communications Law (Telecommunications and Broadcasts), 1982 (“**the 76th Amendment**”) was passed. This amendment, which was designed to decrease the bureaucratic burden and lower entrance barriers into the market, constitutes a fundamental change in the regulation of Israeli telecom services licensing. As the registry regulations came into effect, some of the parties providing telecommunications services prior to the 76th Amendment, were transferred from the license regulation to the regulation via listing in the Registry. Accordingly, the services in question are provided by the Group by virtue of a license or listing in the Registry (with the exception of television services over the internet that do not require a license or listing in the Registry⁴³). To the best of the Company’s knowledge, the Ministry of Communications conducts organized mapping of the provisions in the licenses in order to match the license and Registry regulations as needed.

22.2.2. The Telegraph Order

The Telegraph Order regulates the use of the electromagnetic spectrum and applies, inter alia, to the use the Group makes of radio frequencies as part of its infrastructure. The establishment of a system that makes use of radio frequencies and its activation, are subject in accordance with the Telegraph Order to the issue of a license, and the use of radio frequencies is subject to the assignment and allocation of a suitable frequency. According to the Telegraph Order and resulting regulations, licensing fees and fees for the designation and allocation of frequencies are charged. In light of the current shortage of radio frequencies for the public’s use in Israel (inter alia due to the allocation of multiple frequencies for security use), the Ministry of Communications limits the number of licenses issue for the use of frequencies, and provides incentives for the efficient use of frequencies. Thus, in light of the shortage of frequencies as noted, the Ministry of Communications allows the sharing of cellular networks between MNOs, including shared use of operator frequencies (and the Joint Corporation operates within this framework).

⁴³ In this matter note that the Company is listed in the Registry as a registered content provider in accordance with the Broadcasts Distribution Via Digital Broadcasting Stations Law, 2012.

According to the Telegraph Order and resulting regulations, the Company is required to make fixed monthly payments for the strip of frequency in its possession (in this section – “**the Frequencies Fees**”). Following and in connection with the 2020 Tender (as defined in Section 14.5.2 above), subject to certain conditions and a limited period of time, the Telegraph Regulations were revised in such a manner that they established an arrangement for the decrease in frequency fees for existing frequencies (“**the Discounts Arrangement**”). According to its terms, the Discount Arrangement applicable to the Company ended over the course of October 2024. Following the actions undertaken by the Company in connection with the termination of the discount arrangement (including, inter alia, an application submitted by the Company, together with other telecommunications operators, to the Ministry of Communications), in August 2025 the Company and the aforementioned telecommunications operators filed a petition with the High Court of Justice against the Ministry of Communications and the Minister of Communications. Within the framework thereof, the Court was requested, inter alia, to issue an conditional order instructing the respondents to show cause why they should not act, by the end of 2025 or alternatively within a reasonable period of time, to update the cellular spectrum fees applicable to the frequencies used by the cellular companies for the provision of their services, such that the spectrum fees would reflect the economic value of the frequencies. As of the date of publication of the report, the discount arrangement has not been extended, nor has any alternative arrangement been adopted. Accordingly, during 2025 the Company incurred higher spectrum fees, in an annual amount of approximately NIS 28 million, as a result of the termination of the discount arrangement.

22.3. **Rate Control**

22.3.1. Reciprocal interconnection fees – Under the Communications Regulations (Telecommunications and Broadcasts) (Payments for Reciprocal Connections), 1982, an outline was set for the gradual decrease of interconnection fees rates applicable to calls terminating on the networks of mobile operators and domestic fixed-line operators. Pursuant to this framework, the maximum interconnection rates for calls were generally reduced such that, commencing in June 2025 each operator will bear the costs and as a rule, there will be no transfer of payments for reciprocal relations in connection with call minutes. Regarding international calls, the supervision was lifted from the completion segment of incoming international calls, and outgoing international calls are subject to the gradual decrease outline as noted above.

22.3.2. Hosting services fees – in accordance with the Communications Law, in the event that a hosting and hosted operator reach an agreement on the conditions for providing hosting services, whether via domestic MNO roaming or hosting service for MVNO, the Minister of Communications may become involved in the terms of the agreement, including by determining the price that will be charged for the services. Terms and proceeds that do not benefit the Group may lead to a material negative impact on its operating results.

In addition, the Ministry of Communications may issue instructions regarding the rates of communications services in the case of a non-reasonable price or a payment that raises concerns of harm to competition. These directives may be based on a calculation of cost plus reasonable profit margin, on the basis of reference points of comparison with other license holders, similar services or connectivity rates in other countries. In addition, the Minister of Communications is certified to issue directives regarding the separation of payments for certain telecommunications services from the payment for a collection of services. In addition, the Group's licenses feature types of payments an operator may charge, and there are specific arrangements for certain services.

22.4. The Group's Communications Licenses

In recent years, various changes have come into effect in the Group's licenses, which impacted the Group's behavior, its expenses and investments, including the Group's conduct with its customers, the Group's investments in its communications networks and increasing competition in the market⁴⁴.

22.4.1. General License to Provide MNO Services

(1) The Company operates in the field of cellular communications by virtue of a general license for the provision of mobile network telephone services using the cellular method⁴⁵ (“**the MNO License**”) which is in effect until February 1, 2032, which establishes terms, obligations (such as the obligation to provide cellular services in the State of Israel to any subscriber interested in them) and restrictions regarding the Company's activity, that of its officers and shareholders holding it at various rates. In accordance with the terms of the MNO License, in the event that the Company meets the terms of the MNO License and the requirements of

⁴⁴ For details on the 76th Amendment and the changes in the format of regulation in the communications market see Section 22 above.

⁴⁵ The MNO License, as amended from time to time, was issued to the Company by the Ministry of Communications on June 27, 1994.

the law, and invests in improving service and its cellular network, the MNO License may be renewed by the Ministry of Communications for additional periods of ten more years each time. The Company has also been given a license to provide cellular services in the Judea and Samaria region that will be in effect until 2032, which includes the terms of the MNO License.

(2) The Ministry of Communications has changed in the past and may change in the future, terms in the MNO license without the Company's consent and in such a manner that may limit its ability to manage its business and hurt its operating results. No certainty exists that the Company's MNO license will be renewed by the Ministry of Communications. Inasmuch as the MNO license is renewed, it may be renewed under different conditions.

(3) **The following are key terms of the MNO License:**

a. The Company's MNO License may be cancelled, suspended or restricted by the Minister of Communications and the certified party in accordance with the Telegraph Order, inter alia, in the following cases: a change needs to be made to the license to ensure the level of services provided in accordance with it; violation of a material condition of the license; one of the Company's executives or directors has been convicted of a disgraceful crime and continues to serve in their position; or the Company's aggregate equity, along with the aggregate equity of its shareholders each of whom holds 10% or more of its share capital, has dropped below \$200 million⁴⁶; a violation of an obligation according to which the Company, a Company officer or anyone holding over 5% of its means of control, with the exception of a Company interested party that is a mutual fund, insurance company, investment company or pension fund (“**Institutional Investor**”) does not hold, directly or indirectly, over 5% of the means of control in Bezeq or in some other Israeli MNO operator, or serves as an officer in one of the Company’s competitors (subject to exception requiring the advanced approval of the Ministry of Communications). The MNO License provides that an Institutional Investor who is a Company interested party may also hold up to 10% of the means of control of Bezeq or some other MNO operator under certain conditions without the Minister’s approval being needed, and according to a written request, the Minister shall be entitled to permit an institutional investor

⁴⁶ As of the report date, the Group is in compliance with its equity obligations.

who is Company interested party to also hold up to 25% of the means of control in Bezeq or some other MNO operator under certain conditions ;

- b. The total holdings, direct or indirect, of the founding shareholders or their alternatives (as defined in the license⁴⁷) shall be no less than 26% of each of the means of control in the Company (and in this regard, “means of control” means the right to vote in the Company's General Meeting or in a parallel body in some other corporation, the right to appoint a director of CEO, the right to participate in the corporation's profits as well as the right to share the balance of the Company's assets after clearing its debts following liquidation)⁴⁸; the total holdings, direct or indirect, of Israeli elements (as this term is defined in the MNO License⁴⁹), included among the founding shareholders or their alternatives, no less than 5% of the total issued share capital and from each of the means of control in the Company or the Company is given a safety instruction from the General Security Service (given the Company on June 2, 2024)⁵⁰; at least 10% of the members of the Company's Board of Directors have been appointed by Israeli elements (inasmuch as the Israeliness requirements alternative was selected as detailed above); and a majority of the Group's directors have Israeli citizenships and are Israeli residents.
- c. The Company, an officer in it or anyone holding more than 5% of the means of control in it shall not be a party to any arrangement with

⁴⁷ **“Founding Shareholders or their Alternates”** – FF6-Cell (which comes in lieu of the prior founding shareholders, who were, until May 2024, Koor Industries Ltd. (a company fully owned (100%) by DIC) as well as Mega Or Holdings Ltd.).

⁴⁸ In this regard, it should be noted that on November 11, 2025, further to the coming into force (in September 2023) of the Communications (Telecommunications and Broadcasting) Order (Determination of an Essential Service Provided by “Bezeq” – The Israel Telecommunication Corp. Ltd.) (Amendment), 2023 (the “Amendment to the Communications Order”, respectively), which amended the Communications (Telecommunications and Broadcasting) Order (Determination of an Essential Service Provided by “Bezeq” – The Israel Telecommunication Corp. Ltd.), 1997, Bezeq reported that an amendment to its control permit had been executed, which, inter alia, permitted the holders of the permit to hold less than 15% of any class of means of control in Bezeq and, thereby, effectively cease to be the controlling shareholder of the Company, within a prescribed period of time.

Thereafter, on November 18, 2025, Bezeq reported that B Communications Ltd., which until such date had been its controlling shareholder, sold all of its shares in Bezeq. It should further be noted that on July 18, 2024 Partner announced that it had received a message from the Ministry of Communications that the General Security Service had confirmed that all of the cumulative holdings of the founding shareholders or their replacements, shall be no less than 21% of each of the means of control in Partner, in accordance with Partner's MOT license.

⁴⁹ **“Israeli Element”** – for an individual – anyone who is a citizen and resident of the State of Israel; (b) regarding the corporation - a corporation who has incorporated in Israel and is controlled by an individual who is an Israeli citizen and resident, directly or indirectly, so long as indirect control is only through a corporation incorporated in Israel, one or more. However, in the matter of indirect holding, the Prime Minister and Minister of Communications approve holding via corporation not incorporated in Israel, so long as that corporation does not hold Company shares directly, and if they have been convinced that this does not harm the goals of this section.

⁵⁰ In July 2020, the MNO License was amended such that the requirement for a minimum holding of 5% of the capital issued and from each of the means of control by Israeli entities) who are among the founding shareholders or their alternates, and for the appointment of at least 10% of the members of the Board of Directors by such Israeli entities, would be canceled, upon the receipt of alternative instructions to the Company from the General Security Service. As noted above, on June 2, 2024 the Company received the alternate safety instruction in question.

Bezeq or some other Israeli cellular operator, which were intended to or may decrease or limit competition in the cellular field.

Additional conditions included in the MNO License include, inter alia, that:

- d. Purchasing (by a person themselves along with a relative or with someone who works with them on a regular basis) or the transfer, directly or indirectly, in one transaction or more, of means of control at a rate of 10% of more in the Company or which may transfer the means of control in it, including by creating a lien by Company shareholders or by a shareholder in a Company interested party, in such a manner that realization of the lien will lead to a change in ownership of 10% of more of any means of control in the Company, requires the advance approval of the Minister of Communications⁵¹; for the purposes of the MNO License, “control” means the ability to direct the Company’s activities, whether directly or indirectly, including an ability deriving from the Company's bylaws, by virtue of an agreement, whether written or oral by virtue of holdings means of control in some other corporation, and with the exception of a capability deriving solely from the fulfilment of the duties of a director or some other Company officer;
- e. For the full duration of the operating period, the Company needs to enter into agreements with a MNO network equipment manufacturer that include, inter alia, an agreement to transfer knowledge and an agreement that ensures the supply of parts for network equipment for a period of at least seven (7) years; the Group needs to act to perform reciprocal connectivity of the network to other public communications networks in Israel, under egalitarian terms and with no discrimination; the Company must avoid prioritizing the provision of infrastructure services to a license holder that is an affiliated company (as this term is defined in the relevant regulations) over some other license holder;
- f. The license details the types of payment the Company is entitled to charge from its subscribers, procedures and certain requirements for charging and billing subscribers, mechanisms and rules for determining and raising rates, as well as the reports for which notice must be given to Group customers prior to changing rates. The License also determines the Minister’s authority to intervene in rates, in certain circumstances;

⁵¹ No advance approval is needed to create such a lien if the encumbrance agreement includes a reservation according to which the lien cannot be exercised without the advance approval of the Minister of Communications. The Company’s other licenses includes similar prohibitions.

- g. The license requires that the Company meet a minimal standard of customer service (which includes measurable parameters of response times), including operating service centers, maintaining a certain service levels of the network (both in terms of network coverage and in terms of performance), protecting the privacy of the service recipient as well as certain restrictions and requirements pertaining to the process and documenting sales and marketing to Company customers, and thus compelling the Group to invest in personnel in call centers and invest in equipment and supporting technology.
- h. The license establishes restrictions on the sale, rental or mortgage of any of the assets used to carry out the license, without the advance consent of the Minister of Communications.
- i. The Group is required by the license to take out insurance that will cover its cellular activity. In addition, the license includes provisions dealing with the Group's legal liability for any loss or damage caused as a result of the construction, existence, maintenance and operation of its cellular network, to any third party. The Group also undertook to indemnify the State for any monetary liability imposed on the State in the event of such loss or damage. To guarantee the Group's obligations in accordance with the license, the Group deposited bank guarantees (at negligent sums) in favor of the Ministry of Communications. In the event of the violation of the terms of the MNO license, the guarantee may be forfeit;
- j. The Company is required to fulfil the following additional conditions; adoption of a business continuity plan and a disaster recovery plan, as well as a plan for managing defenses against cyber events. For more information see section 22.9 below.
- k. The Group is required to provide the Ministry of Communications with information and reports upon request, as well as detailed yearly reports on various aspects of the Group's activity.

22.4.2. The Consolidated License

- (1) The Group provides internet services (broadband infrastructure and access services) and mobile and international telephone services under a consolidated license. This license will be in effect until 2026 but may be extended by the Ministry of Communications by additional periods of 10 years⁵². As part of the terms of the Consolidated License, the Group is required to deposit bank guarantees (at negligible sums) in

⁵² It should be noted that the Company has approached the Ministry of Communications with a request for an extension and believes that such request will be approved. The foregoing regarding the extension of the license constitutes forward-looking information, the realization of which is uncertain, inter alia, due to factors beyond the Company's control.

the hands of the Ministry of Communications. As a rule, the provisions of the Consolidated License are similar to the Group's MNO License, described in 22.4.1 above, subject to a number of changes, including a demand for a minimum stake of 20% of the Group's share capital by Israeli elements. At the same time, the Minister of Communications may waive such a requirement in the case that the holder of the consolidated license for telecommunications services is controlled by a holder of a general license (as is the case with the Group).

- (2) In addition, the Group holds a license parallel to the consolidated license described above for the Judea and Samaria region (regarding the license to provide telecommunications services granted Cellcom Partnership in effect until 2026). These licenses include terms that are generally similar to those in the MNO license described above.

In the event that the Group does not meet the requirements of the terms in its licenses or in the provisions of the Registry Regulations, it may face significant sanctions, which may include the suspension or cancellation of its licenses. In addition, in accordance with the terms of the Communications Law, the Ministry of Communications may impose monetary sanctions on the Group for violations of the terms of the MNO license or the Communications Law⁵³.

22.4.3. The Registry Regulations

- (1) For details on the 76th Amendment and the Registry Regulations see Section 22.2.1.(4) above.
- (2) Until October 2022, Golan provided cellular services (MVNO) as well as international call services (international carrier) through a fully owned subsidiary, by virtue of a consolidated general license to provide telecom services granted each of them. As the Registry Regulations come into effect, these services were provided by virtue of these companies being listed on the Registry, and from this date onward, Golan markets cellular and domestic operator services within

⁵³ The sum of the sanctions will be calculated as a percentage of its revenues and in accordance with the scale of the severity of the violation, and therefore its scope may be significant. The maximum sanctions for violations that may be imposed on the Company is (approximately) NIS 1.6 million plus 0.225% of yearly revenues in the year prior to the violation but no more than twenty percent of its yearly revenues. In October 2024, the Ministry of Communications imposed an insignificant monetary sanction on the Company for failure to meet the network coverage and milestone obligations for the construction of a 4th Generation network and the provision of service in a limited number of roads. Further to the petition filed by the Company in this matter and the agreement reached between the parties, in September 2025 the Jerusalem Administrative Court rendered its decision, partially granting the petition.

the framework of the Group's licenses. For details on the 76th Amendment see Section 22.2.1.(4) above.

- (3) The Group is included in the registry in connection with the supply of fixed line communications services (broadband infrastructure services – transmission), as well as in connection with the activity of the joint corporation.

22.5. Provisions in the Field of Cellular Communications

22.5.1. Establishing Base Sites

(1) General

- a. In order to ensure and improve coverage for transmission and broadcasts of the wireless network for the Group's customers, the Group is dependent on base sites deployed across the country. The regulation of the deployment of the base sites, their construction and the required approvals, are mainly anchored in the National Outline Plan for Communications – TMA 36 – Part A – Small and Minute Broadcast Facilities (“TMA 36”), in the Planning and Construction Law and in the Radiation Law. Regulation of the deployment of wireless access facilities, which are base sites with smaller dimensions, which were built by the end of 2021, was mainly regulated in the Communications Law, the Planning and Construction Law and the Radiation Law.

Construction of base sites requires permits from various government bodies and from related parties, including the receipt of a building permit by virtue of the Planning and Construction Law issued by the various planning authorities, including the Planning and Construction Committees (and this inasmuch as no exemption has been given from the building permit), as well as additional approvals from various bodies and elements, including approval from the Civil Aviation Administration (in most cases), approval from the Israel Defense Force (in some cases) and additional detailed approvals, as the case may be. In addition, permits must be received from the Radiation Supervisor.

The Group sometimes faces difficulties in receiving permits for the construction of sites, mainly from local authorities. Failure to receive the required approvals and permits may require a halt in the activity of the relevant base sites or their transfer to alternate locations that are

inferior in terms of network requirements, which may harm the quality and coverage of the cellular network. The Group operates on a regular basis to secure the required permits, and as needed to find alternate locations for its sites.

- b. In November 2021, changes were made to the previous regulation in the matter of exemptions for permits for the construction, replacement or additions to certain cellular sites and including cellular sites within the definition of national infrastructure in order to make the process of deploying communications infrastructure easier (“**2021 Permit Exemption**”).
- c. Activation of additional sites and facilities without the required permit or not in accordance with the terms set in the permit issued or in the terms of the exemption from the permit, may expose the Group and its officers to civil suits and/criminal and administrative proceedings. In addition, the sites and facilities may be subject to demolition orders and breach of contract claims.

As of the publication of this report, a very small portion of the Group’s base sites operate without a building permit. It’s possible that the Group operates a significant number of sites in a manner that is not fully compatible with the building permit by virtue of which they were built, while for sites like these permits were received from the Radiation Supervisor on the levels of radiation there.

Criminal and administrative legal proceedings were conducted against the Group, within the framework of which claims were raised in the matter of the illegality of the actions of a small portion of the Group’s base sites, due to the alleged absence of permits in accordance with the Planning and Construction Law, or due to their construction in alleged deviation from the permit given them.

- d. In February 2025 the State, via the Government Housing Administration at the Ministry of Finance, published a public tender for engagement in a framework agreement for use of Government Housing Administration assets to build cellular broadcasting facilities. The tender allows the winning companies to enter into a framework agreement and usage right agreements with the State to build telecommunications facilities on State properties at a price set in advance by the State and which amounts to NIS 1,750 per site (plus VAT, linked to the January 2025 CPI). The Company, together with

other telecommunications companies (including PHI and Pelephone), is among the companies that win the tender, pursuant to which a list of the relevant sites on which telecommunications facilities may be established was published in October 2025. To the extent that assets are identified in locations relevant to the Company's needs, the pool of potential sites is expected to increase, in a manner that may positively affect the lease costs currently paid by the Company for such sites.

(2) **Building Permits**

a. TMA 36

TMA 36 anchors, inter alia, directives for the construction of base sites, in such a manner that coverage will be possible for broadcasting and receiving wireless communications throughout the country, while avoiding radiation hazards and minimizing the impact on the environment and the landscape. MA 36 established the considerations that needed to be taken into account by the planning authorities when issuing building permits for the base sites. In addition, TMA 36 establishes the cases in which the public needs to be informed on the building permit requirements before it is given, in order to allow the public to file suitable objections in accordance with the terms of the Planning and Construction Law.

In accordance with the terms of the 2021 Permit Exemption, the approvals needed in accordance with the permitting plan, such as TMA 36, must be received for a cellular broadcast facility located in accordance with the terms of the exemption, however, no permit is needed from the local committee.

If changes occur in TMA 36 that include restrictions and additional requirements in the process of building and operating sites, this may have a negative impact on the Group's ability to build new base sites, make the process of licensing sites more cumbersome and expensive, and may have a negative impact on the Group's existing network and delay its future deployment.

b. Exemptions from Building Permits

Wireless access facilities that, as noted, were built by the end of 2021 were exempt from building permits, so long as they had been built in accordance with the terms set in the Communications Law and in Section 266C of the Planning and Construction Law and resulting regulations ("**the Exemption**").

Starting January 2022 the 2021 Permit Exemption replaced the exemption from a permit for a wireless access facility on a cellular network so that as of that date, wireless access facilities could not be built on new cellular networks based on the exemption from a permit for a wireless access facility, however, facilities may be built with an exemption from a permit in accordance with the terms of the 2021 Permit Exemption⁵⁴.

- c. The inability to rely on the receipt of an exemption from the need to secure a building permit for a facility in accordance with the terms of the 2021 Permit Exemption or the imposition of a material restriction on the Group within the framework of the exemption and/or its implementation, disassembly of wireless access facilities and cellular sites due to reasons that are not under the Group's control, the objection of local planning and construction authorities to granting the required permits and approvals, may have a negative impact on the Group's ability to receive permits for these sites and/or to construct them with an exemption from a permit, have a negative impact on the scope, quality and coverage capability of the network (particularly in urban areas), on the Group's ability to continue marketing the Group's products and services in an efficient manner and which may have a material negative impact on Group's operating results and economic status.
- d. The Group provides repeaters and femtocells for business subscribers seeking a solution to weak reception problems inside buildings, some of which require a specific permit, and some require a type permit from the Ministry of Environmental Protection, in accordance with their radiation level. The Group makes sure that each repeater operates in accordance with the parameters set in the relevant site permit. Uncertainty exists in the question of whether the installation of repeaters of various types and femocells requires the receipt of a building permit.

In addition, the Group builds and operates microwave facilities as part of its transmission network, which serves both the cellular network and the need to provide fixed line communications services. Most types of microwave facilities are exempt from the receipt of permits

⁵⁴ This may not impact the validity of wireless access facilities built while the wireless access facility exemption was in effect.

from the Ministry of Environmental Protection (as a result of low output) or require a general permit relative to their radiation levels.

Based on an opinion the Group received from its legal counsel, the Group has neither requested nor received building permits to install these facilities on rooftops. Note that the repeaters installed on rooftops constitute a small portion of total repeaters installed by the Group.

If it is decided that the installation of repeaters requires receipt of a building permit, the Group shall examine the economic feasibility of treating the request for permits for existing repeaters against the option of removing them as well as the feasibility of installing additional receivers.

In addition, if it is decided that the installation of microwave facilities on rooftops requires a building permit, this may have a negative impact on the Company's ability to receive radiation permits for these facilities and to install additional facilities, and it may impact the scope, quality and coverage of the Group's transmission network as well as harm the Group's ability to continue market fixed line communication services to business customers (based on the Group's independent network) in an effective manner.

(3) Indemnification Obligation by Virtue of the Planning and Construction Law

In accordance with the Planning and Construction Law, the Local Planning and Construction Committees must demand, as a condition for issuing a building permit for a base site, a letter of indemnification from compensation claims in accordance with Section 197 of the Planning and Construction Law⁵⁵. The 2021 Permit Exemption also includes a requirement to follow these instructions. The period of time in which a compensation claim may be filed in accordance with the Planning and Construction Law is one year from receiving the building permit for the site or six months from the construction of the site, whichever is later, with the Minister of the Interior certified to extend this period. As of December 31, 2025, the Group has deposited (accumulated) 668 letters of indemnification to issue building permits or exemptions.

⁵⁵ Section 197 of the Planning and Construction Law states that a land owner is entitled, in principle, for compensation from the Local Committee for Planning and Construction, for the impairment of their land as a result of the approval of a plan applicable to their land or a bordering area, all in accordance with the terms of the Planning and Construction Law.

As a result of the demand to deposit letters of indemnification in the hands of the Local Committees for Planning and Construction, the Group may disassemble or relocate base sites to less suitable locations or not build certain base sites inasmuch as they reach the conclusion that the risk in providing such letters of indemnification exceeds the benefits of building those sites. The Group's decision on disassembling or transferring such base sites, if passed, may impact the quality of cellular services at those locations and harm the national deployment.

(4) Permits in Accordance with the Radiation Law

The construction and operation of base sites, access facilities and other broadcasting facilities is subject to the Radiation Law. For details on the Radiation Law and the permits required as a result see Sections 21.2 and 22.5.1. above.

22.5.2. Information Regulations on Non-Ionizing Radiation

Cellular services are provided using end equipment emitting non-ionizing radiation. The Radiation Regulations, include, inter alia, announcing obligations. These regulations and the resulting booklet note, inter alia, the maximum radiation level allowed for end equipment. For further details on the restrictions by virtue of these regulations, see Section 21.4 above.

22.5.3. Network and Site Sharing Agreement

The network sharing agreement includes active sharing of frequencies by mobile network operators (MNO), will be possible between operators at least one of whom does not own an fully deployed mobile network and is stipulated on certain conditions, including: (a) other operators will be able to join under conditions similar to those given the operator with the smallest market share; (b) an operator that shares a network may host a virtual operator with no need for the consent of the remaining joint operators; (c) the shared radio network needs to be operated by a joint body that will be held in equal shares by the participating operators, when the joint network uses frequencies allocated to the joint operators; (d) the radio components of the joint network shall be held at an equal rate by the joint operators; and (e) each of the joint operators shall have the effective usage right of the passive infrastructure of the other joint operators, including in the case of the conclusion of the agreement.

In February 2021 the Ministry of Communications decided to allow all cellular operators to cooperate via domestic roaming or an MOCN configuration in certain peripheral areas and at a limited number of sites. As of the publication of this report, the cooperation in question is at negligible levels. The Group

estimates the aforementioned change is not expected to have an impact on the Group's results in light of the limited possible cooperation.

For further details on the Group's network sharing and hosting with Wecom, see Section 24.1 below.

For details on the Group's passive infrastructure cooperation agreement with Pelephone, Partner and HOT Mobile, see Section 24.3 below.

22.6. **Licenses in the Field of Terrestrial Communications**

22.6.1. Fiber Optic Network

The Communications Law grants operators' certain authorities in deploying fiber optic networks and exempts them from the requirement to secure building permits (including assisting structures). The deployment of an fiber optic network in a public area is subject to advance notice and coordination with other infrastructure owners. The deployment of fiber optic infrastructure in public areas is subject to the consent of the property owner. For details on the use of the infrastructure of other operators within the framework of the wholesale market see Section 22.6.2.(1) below.

In December 2020, the Communications Law was amended in such a manner that updated the deployment obligations of fiber optic and the service supply obligations of operators with a general license – owners of their own infrastructure (who had earlier been required to perform a universal deployment of any network they deploy), and established incentives to encourage the deployment of infrastructure in areas in which no deployment obligation exists, in accordance with economic feasibility tests. The key points of the Amendment are as follows:

- (1) Bezeq will not be subject to universal deployment requirements in all matters pertaining to the deployment of fiber optic infrastructure, and in accordance with the option given it, it informed the Ministry of the areas in which it seeks to perform the deployment, and in these areas Bezeq is required to provide service to all homes within 6 years; HOT will also not have a universal deployment obligation in all matters pertaining to the deployment of fiber optic, from the date Bezeq was given the deployment obligation as stated in the licenses. At the same time, regarding HOT in July 2020 the Minister of Communications was given a minimal deployment obligation at a rate of 30%, as well as an obligation to meet a 1/1 deployment ratio between the periphery and center of Israel in the event that it chooses to deploy an ultra-wideband network not based on its existing access infrastructure;
- (2) The State of Israel shall hold tenders to subsidize the deployment of fiber optic by Bezeq's competitors in areas in which Bezeq chooses not to

deploy fiber optics (“Incentivization Areas”). Neither Bezeq nor any affiliated corporations may take part in the tenders. In March 2022 and February 2023 the Ministry of Communications published the results of the incentivization tender, and all of the companies that won the tender have an obligation to complete the deployment obligation and provide services in the service area they won until the determining date. An additional tender was published in January 2026.

- (3) The Minister of Communications may establish a reduced rate for the use of existing Bezeq passive infrastructure in the incentivization and in July 2022, the Minister employed his authority to set a reduced rate for the use of existing Bezeq infrastructure in the incentivization areas, and in areas beyond the incentivization areas (an area that is not an incentivization area and is not one of the Bezeq deployment areas).
- (4) Subsidization for deployment in the incentivization areas shall be financed by imposing an additional mandatory payment at a rate of 0.5% of the latest yearly revenue less reciprocal relations payments and use by certain communications license holders in Israel (including Bezeq) (and including the subsidiaries of the license holders in question, in certain cases), the latest yearly revenue of whom exceeded NIS 10 million, starting 2021 and up to the date in which the deployment obligation was set for each of the incentivization areas (“**the Incentivization Fund**”).

In the announcement by the Ministry of Communications from July 2023 (which came prior to the publication of the Communications Order as noted below), it was noted that the incentivization tenders had led to an obligation to deploy in 99.5% of the State of Israel, and in addition, based on a professional examination conducted by the Ministry of Communications, there was a high level of probability that completion of the deployment would continue to a rate of 100%. Subsequently, on July 31, 2023, the Communications Ordinance (Transmissions and Broadcasts) (Rate of Annual Payment to the Incentivization Fund for 2023) (Transitional Provision), 2023, was published in the Official Gazette, which established, for 2023, the rate of payments payable by obligated entities (including the Company) to the incentivization fund will be 0% of their aforementioned taxable income. The enactment of the ordinance in question resulted in savings on the Company’s expenses in 2023 in the amount of approximately NIS 18 million (before tax).

On December 31, 2024, the Communications Ordinance (Transmissions and Broadcasts) (Rate of Annual Payment to the Incentivization Fund for 2024) (Transitional Provision), 2024, was published in the Official Gazette, which established, for 2024, the rate of payments payable by

obligated entities (including the Company) to the incentivization fund will be 0% of their aforementioned taxable income. The enactment of the ordinance in question resulted in savings on the Company's expenses in 2024 in the amount of approximately NIS 20 million (before tax).

On December 31, 2025, it was published in the records of the Communications Order (Telecommunications and Broadcasting) (Annual Rate of Payment to the Incentive fund until the year 2025) (temporary Provision), 2025, according to which in 2025 the payment rate of a required entity (including the Company) to the incentive fund will be 0% of its taxable income as stated. The installation of the aforementioned order will result in savings in the Company's expenses in 2025 in the amount of approx. NIS 21 million (before tax).

- (5) Neither Bezeq nor any affiliated corporation may deploy fiber optic in incentivization areas for 5 years from the date on which the deployment obligation was set in the winning tender, with the exception of deployment for business customers for which it may deploy in this period as well. At the same time, at Bezeq's request the Minister of Communications may revise its original deployment obligation by a rate of up to 10%, so long as no money has yet been allocated from the money in the incentivization fund to that incentivization area; at Bezeq's request, the Minister of Communications allowed them to deploy fiber optics in areas in addition to those set in its license.
- (6) The amendment may not prevent the holder of a license who is not Bezeq or a corporation affiliated with it to deploy a fiber optic network or provide telecom services over it in Bezeq's deployment areas, as well as in an incentivization area for which no money had been allocated to it from the incentivization fund.
In June 2020 the Ministry of Communications decided that when providing internet access services via fiber optics to private subscribers, license holders would not be able to offer subscribers under different conditions or at a different rate, as dependent on the proposed infrastructure.
- (7) For details on the Ministry of Communication decision regarding gradually closing copper grids, from April 2025, see Section 8.1.2.(1) above.

22.6.2. Wholesale Market Development

- (1) In 2012 the Ministry of Communications published a policy paper on the subject of the wholesale market in fixed line communications services, the key points of which are (1) the establishment of an effective wholesale market of access services to communications services; and (2) a gradual cancellation of the structural separation in the Bezeq and HOT groups and its replacement by accounting separation and changing the supervision

method of Bezeq's wholesale prices, so that maximum rates will be set. This, instead of the method it practiced until then that establishes fixed rates, which depend, inter alia, on the development of the wholesale market, the state of the competition in the market, and regarding television services – a reasonable possibility of the supply of basic OTT package services by suppliers with no national fixed line communications infrastructure.

- (2) As stated in Section 8.1 above, in 2015 the wholesale market was officially launched in Israel in the field of internet infrastructure and, to a degree, also in the field of use of certain physical infrastructure by operators who are not infrastructure owners. As of the publication of this report the maximum rates for wholesale fixed line communications services provided by Bezeq (on its copper infrastructures and fiber), are set in the Communications Regulations (Telecommunications and Broadcasts) (Use of Public Telecommunications Network by Domestic Provider), 2026 (as amended together with the decision regarding the wholesale market, see below).
- (3) According to the Communications Law, all terrestrial operators including the Group have certain wholesale obligations, according to which all terrestrial operators need to provide all of the other operators with access to their passive networks (with the exception of IBC's passive infrastructure on IEC infrastructure), according to terms discussed by the parties (with the exception of Bezeq and HOT, the terms of which are determined by the regulator).
- (4) In addition, the wholesale market was supposed to include wholesale terrestrial telephone services starting May 2015. As of the publication of this report, the Group has not used the fixed line telephone services within the framework of the wholesale market.
- (5) In June 2020 the Ministry of Communications adopted a proposal by HOT for the voluntary reduction of the whole rates of the internet infrastructure services in its network, including a rate revision mechanism. Over the course of January 2024, the rates were updated for 2024. These rates were updated pursuant to the decision regarding the wholesale market, see below.
- (6) In December 2022 the Ministry of Communications published the demand forecast indices for data capacity on the Bezeq network, used to determine

wholesale market rates on the copper infrastructure⁵⁶. These indices led to an increase in wholesale market rates in the copper infrastructure for 2023. Over the course of January 2024 the rates were updated for 2024 at the rate of increase of the Consumer Price Index. In addition, the Ministry of Communications published an update on wholesale market rates in a fiber infrastructure over the Bezeq network that increased relative to 2022, amortized by Bezeq within the framework of understandings achieved between it and the Ministry of Transportation in the matter of the approval of its IRU agreement with Partner (for details on this agreement see Section 8.1.2(1) above).

- (7) In January 2025 the Ministry of Communications announced that the service rates determined in the Telecommunications and Broadcasts Communications Regulations, Use of Public Domestic Operator Network, 2014, will not be linked to the Consumer Price Index as according to the Ministry of Communications, linkage to the CPI will lead to setting an unsuitable payment for the use in 2025 and the Ministry of Communications is in advanced proceedings for setting new payments on the basis of the updated model.
- (8) Further to the hearing published by the Ministry of Communications in July 2025 concerning the determination of maximum charges in the wholesale market (following the preliminary regulatory oversight and the call for comments published with respect to wholesale market rates), in which it was stated, inter alia, that in February 2026 the Ministry published its decision on the matter. Pursuant to the decision, inter alia, updated wholesale rates were established for the use of Bezeq's advanced network infrastructure (fiber – at certain speeds), reflecting a substantial reduction compared to the prevailing rates (the "Regulated Price"), and such rates shall remain in effect, with respect to the large communications groups (having more than 300,000 retail internet subscribers (as of this date, the Group is included among such groups) – the "Large Companies"), until August 31, 2028.

The decision further determines a maximum quantity with respect to which Bezeq shall be obligated to provide communications services in the wholesale market at the Regulated Price. Such quantity was determined according to the product of the number of residential units having access solely to Bezeq infrastructure and the retail internet line market share of

⁵⁶ In a hearing published by the Ministry of Communications in December 2023, it was noted that no more use would be made of the model that weighs (among other things) the demand forecast indices as noted, to determine the wholesale market rates for 2024.

the relevant company (including both fiber- and copper-based services and among the Large Companies only). This quota shall be adjusted in accordance with any changes in the number of such residential units, and deviation therefrom shall be permitted subject to the approval of the Ministry of Communications (the "Calculated Quota"). This obligation shall also apply with respect to the HOT Group.

Following such period (i.e., commencing September 1, 2028), Bezeq shall be required to allow the Large Companies to use infrastructure lines in the wholesale market up to the Calculated Quota, at a rate to be agreed upon between the parties, subject to applicable law.

In addition, the decision includes a substantial reduction in the wholesale rates for the use of Bezeq's and HOT's legacy (copper-based) networks, compared to the rates in effect prior to the publication date of the decision. The aforementioned decision is expected to have a positive impact on the Company's results during the relevant years, taking into account, inter alia, the number of relevant subscribers of the Company. In 2026, the impact on profit (before tax) is estimated to range between NIS 15 million and NIS 20 million.

The foregoing assessments regarding the impact on the Company's results constitute forward-looking information, which may not materialize, or may materialize only in part or in a manner materially different from that stated above, inter alia, depending on the number of relevant subscribers of the Company and on factors beyond the Company's control.

- (9) In 2022 the Ministry of Communications published a hearing (intended to replace previous hearings from 2014 and 2017), proposing a new format for examining a margin squeeze intended to prevent competitive harm to the wholesale market activity on advanced networks fiber optic based telecommunications network) that exists when an infrastructure holder holding market power who provides wholesale services to its competitors, reduces the margin between their wholesale rate and the competitors', so that the economic feasibility of competitors without infrastructure of purchasing wholesale inputs and marketing wholesale services to consumers, is harmed. The hearing proposes maintaining a margin between the wholesale price and the wholesale cost of 25% above the wholesale cost. If this margin does not exist, the Minister of Communications can instruct that such a margin be created by decreasing the wholesale market rate for a period of one year. In March 27 2023 the Minister of

Communications decided that the format for examining the decreased margins in an advanced fixed line network, would be the format published in the hearing recommendation, along with a number of changes detailed in the decision. The companies to which the test will apply shall be Bezeq and the suppliers winning the deployment of advanced networks in incentivization areas.

- (10) For details on Bezeq's obligation not to require the payment of internet suppliers for the consumption of internet access services at a certain scope deriving from TV broadcasts over the internet, see Section 22.6.3(3) below.

22.6.3. OTT Multi-Channel Television Services Regulation

- (1) As of the publication of this report, OTT services are not regulated in Israel. In the event that legislation is adopted that requires that the Group make additional investments and/or impose restrictions on OTT services by the Group and/or restrictions on the Group and not on other OTT suppliers, this may have a negative impact on the Group's activities and on the Group's OTT services.
- (2) In November 2025, the Communications (Broadcasting) Bill, 2025 (the "Bill") was approved in its first reading in the Knesset. The Bill introduces various amendments in relation to the provisions of the memorandum published in 2023. The Bill is intended to amend existing legislation and update the framework of obligations and rights applicable to all entities engaged in the provision of audiovisual content segment. The Bill includes various arrangements and mechanisms, including:
- a. The establishment of a new authority instead of the Cable and Satellite Council and the Second Authority that will be responsible for regulating the provision of audiovisual content.
 - b. It was determined that registration obligations shall apply to an Israeli content provider whose annual revenues from the provision of content in Israel exceed NIS 40 million (a "Registered Provider").
 - c. It was determined that investment obligations in high-quality local productions shall apply to all Registered Providers, and that such obligation shall also apply to international content providers and Israeli channels whose annual revenues from the provision of content in Israel exceed NIS 40 million. The investment obligation shall amount to 6.5% of the Registered Provider's revenues (being revenues from the provision of content, net of payments constituting revenues from the provision of content in the relevant year to another Registered

Provider) and shall be applied gradually (commencing at 2% in the first year).

- d. The existing restrictions on economic models in the audiovisual content market were cancelled, and some of the existing prohibitions on joint ownership were cancelled. Prohibitions applicable to traditional platforms in all matters pertaining to advertising broadcasts and the supply of new plans were cancelled.
- e. Detailed arrangements were established in all matters pertaining to the supply of news content, designated registration obligation, the obligation to adopt a code of ethics for news, as well as obligation intended to prevent the exclusive provision of news content.
- f. Arrangements were established regarding the provisions of sports content with significant demand from the public or cultural or national importance. In addition, obligations were established that were intended to prevent the supply of significant sports enterprises on a single content provider, obligations regarding the public access of sports enterprises with national importance or exceptional public interest. This regulation shall apply, as the case may be, to all relevant bodies in this field – rights holders, content producers, content providers providing it to the public, content providers who also hold exclusive rights.
- g. Additional obligations were established, inter alia, in the matter of the distribution of the content of the Israeli Broadcasting Corporation and the Knesset Channel, consumer obligations and accessibility obligations.

At this stage there is no certainty which of the bill's provisions, if any, will be anchored as binding legislation, and what the content and arrangements of such legislation will be, and therefore at this stage the Group cannot estimate the impact of the Group's business on the legislation and regulation that will be established as a result of the bill (if any).

- (3) In 2014 the Competition Commissioner published conditions for mergers in the Bezeq Group, with the aim of making it easier to open the multi-channel television market to competition, by lowering the entrance barriers in the television field. Within this framework the Supervisor established, inter alia, an arrangement according to which Bezeq would not be required to pay internet suppliers to pay for the consumption of internet access services to a certain level deriving from multi-channel television broadcasts over the

internet, and YES was prohibited from selling a basket of communications services that include television services at a price different from the separate sale of television services (“**the Factorization Conditions**”). In addition, it was decided that all existing exclusivity agreements that Bezeq and YES were parties to regarding television content that was not original productions would be cancelled, and entry into such exclusivity arrangements in the future would not be allowed (“**the Exclusivity Conditions**”). From April 2021, the Competition Commissioner decided to change the terms of the merger, as follows: (1) to cancel the Factorization Conditions; (2) to change the Exclusivity Conditions so that they would not apply to the purchase of foreign content but would continue to apply in all matters pertaining to sports content and local content that does not meet the definition of original productions as defined in the Supervisor’s conditions. As of the publication of this report, this amendment has not had a material impact on the Group’s operating results. To be clear, the factorization obligation also exists in Bezeq’s license by virtue of the structural separation obligation that applies to it, even prior to the publication of the conditions by the Supervisor.

22.6.4. Regarding building permits, an exemption from building permits and the incidence of the provisions of the Radiation Law to communications facilities built as part of fixed line communications networks, see Section 21.5 above.

22.7. **Consumer Legislation**

The Group’s activity is subject to legislation regulating the relationship and the method of engagement between it and its subscribers⁵⁷. This includes the Group’s activity being subject to the Consumer Protection Law and resulting regulations, and it bears various obligations, including, inter alia, in the matter of providing information to customers on various subjects; cancelling transactions and disconnection from ongoing services; method of providing information on rates set for a fixed period; directives in the matter of repaying charges collected from subscribers not in accordance with the communications agreement plus treatment fees set in law; restrictions on collecting debts; expanding the incidence of regulation in the matter of technician visiting dates for additional cases and the establishment of a national database listing the phone numbers of consumers interested in limiting marketing contacts from operators or their

⁵⁷ In addition to the directives set in this regard in the Group’s licenses (see Section 22.4 above).

representatives⁵⁸. In addition, there are various bills before the Knesset for additional amendments to the Consumer Protection Law, which may impact, inter alia, the terms of engagement and behavior of Group companies with their subscribers. Changes in consumer regulation regularly impact the activity of Group companies.

22.8. **Protection of privacy law**

The activity of Group companies is impacted by the Protection of privacy law and its regulations in the matter of managing and maintaining databases and securing the information contained in them. In recent years there have been changes in protection of privacy laws applicable to Israel, which can include the various obligations applicable to contrroller of databases, including obligations for establishing procedures and making risk assessments regarding information security, as well as the use of advanced security measures to protect the information; alongside various obligations that apply regarding databases featuring information received from the European Economic Zone.

In August 2025, a comprehensive amendment to the Protection of Privacy Law has entered into force, which significantly increases exposure to companies in aspects of privacy protection and information security. The 13th Amendment to the Protection of privacy law (“**the 13th Amendment**”) grants extensive enforcement authorities to the Privacy Protection Authority (hereinafter: “**the Authority**”), including imposing monetary sanctions, expanding the grounds on which it can claim compensation from companies without proving damage due to the violation of the law and anchoring a reform in the management and recording of the databases. The primary changes pursuant to the 13th Amendment include, inter alia, the obligation to appoint a data protection officer (DPO) to certain entities, expanding the transparency obligation in collecting personal information, expanding the authorities of the Privacy Protection Authority including the authority to impose financial sanctions due to violations of the Protection of privacy law and resulting regulations to a level that may amount to significant amounts, expanding the grounds for receiving compensation without proving damage, and so on. In accordance with the provisions of applicable law in general, and Amendment No. 13 in particular, the Company has appointed a Protection Privacy Officer and has established guidelines and working procedures for the purpose of implementing the actions required under the legal provisions applicable to it in this regard.

⁵⁸ In January 2023 an amendment to the Consumer Protection Law came into effect, as well as resulting regulations according to which the Consumer Protection Authority would establish a database featuring the phone numbers of consumers interested in restricting such marketing requests from them and an operator will not be able to make marketing calls over the telephone (including other electronic communications) to a consumer whose number is recorded in the database (with some exceptions set in law). According to the regulations on this subject, an operator may approach the database with a list of customers they wish to contact and receive the numbers from the list.

22.9. Cyber Defense and Continuity of Function

The Group provides a variety of communications services that constitute a vital national infrastructure both during routine activity and during times of emergency. The licenses by virtue of which the Group provides communications services include an obligation to prepare to ensure functional continuity and operate in accordance with a cyber defense plan that will help protect from cyber-attacks, deal with cyber events, reduce the risks of harm to functional continuity and functional recovery in the event of a cyber event and/or an event that harms the Company's functional continuity ("**Crisis Events**"). In accordance with the Security Regulation in Public Bodies Law, 1998 and by virtue of the definition of services provided by the Group as vital services, the Group's activity in protecting its infrastructure is also supervised and controlled by the General Security Services.

The Company invests resources and takes steps to reduce and deal with cyber risks and ensure functional continuity. The work plans implemented in the Group in this context include:

- 22.9.1. Actions intended to prevent, as much as possible, the occurrence of a crisis event, including the appointment of personnel, locating and defining the threats, classifying the threats in accordance with the level of risk deriving from them, determining information security procedures, implementing preventive and revealing controls, conducting risk surveys and penetration tests, monitoring, encryption, authorization management and control, increasing worker awareness of information security guidelines.
- 22.9.2. Response – the work programs implemented at the Company include actions intended to prepare for the existence of crisis events, including: establishing work procedures and assimilating work processes intended to allow a fast and professional response to crisis events, establishing reporting processes on crisis events to the relevant factors as required by law and according to the licenses by virtue of which the services are provided, defining personnel responsible for dealing with crisis events, providing training for the treatment of crisis events and constant examination intended to improve and streamline the Group's preparations for dealing with crisis events.
- 22.9.3. Assimilating work processes for as rapid a recovery as possible from crisis events.
- 22.9.4. The work plans implemented at the Cellcom group for protection from cyber events and ensuring the continuity of its business activity are presented to the Company Board of Directors for approval.

Over the course of 2025 no cyber events were detected that impacted the Financial Statements of the Celcom Group.

22.10. Provisions in the Field of Labor Law

The Group comes under Israeli labor law in connection with the terms of employment of its employees, including the Minimum Wage Law, 1987, the Severance Pay Law, 1963, the Annual Vacation Law, 1951, the Working and Rest Hours Law, 1951, the Labor Law Enforcement Law, 2011 and various expansion orders in connection with the social benefits and pension deposits Group employees are entitled to.

In March 2023 the temporary order according to which the State's minimum wage was revised (the Minimum Wage Sums Increase - Temporary Order, 2015), from this date the minimum wage is updated in accordance with the provisions of the Minimum Wage Law, 1987 which state that the minimum wage shall be 47.5% of the average salary as it stands on April 1 each year. Accordingly on April 1, 2025 the minimum wage increased and absent any changes, it is expected to increase again in April 2026.

22.11. For details on price controls for goods and services offered by the Group, see Section 22.3 above.

22.12. Sanctions from Regulation Provisions – Administrative Proceedings and Monetary Sanctions

Various regulators, including the Ministry of Communications and the Judea and Samaria Civil Administration, the Competition Authority, The Privacy Protection Authority (as of August 2025, pursuant to Amendment No. 13, see Section 22.8 above), and the Consumer ProFair-Traded Fair Trade Authority, have the authority to impose sanctions, including significant monetary sanctions for the violation of relevant regulations. In recent years the Ministry of Transportation, the Competition Authority and the Consumer Protection and Fair-Trade Authority have used these authorities. For details on a sanction imposed on the Company see Footnote 55.

22.13. License to Provide Electricity

For details on the Company's license to provide electricity transferred to Cellcom Energy, see Section 9.1.3.(1) above. For details on engagements in a founders' agreement and engagement in agreements to purchase electricity in connection with Cellcom Energy, see Section 9.10 above.

23. Material Agreements

The following is a concise description of key material agreements, the Group is a party to, or which to the best of its knowledge the Group is entitled to in accordance with, including agreements that were in effect in the period described in the report or which had influenced the Company's activity in that period.

- 23.1. **Investment agreements of the Company and HOT in IBC** – for details on the Company’s investment in IBC, including partnership agreements with IIF, IRU purchase agreements and the services agreement with the IEC, see Section 18.1 above.
- 23.2. **Engagements with suppliers** – for details on the Group’s engagement with material suppliers, the Group is dependent on for the purpose of the purchase, operation and maintenance of communications equipment, information systems, content and end equipment, see Section 16 above.
- 23.3. **Debt and credit agreements** – for details regarding the Company’s credit agreements through which the Company finances its activity, as well as in the matter of debentures issued by the Company. See Section 19 above.
- 23.4. **Collective agreements** – for details on the Group’s collective agreements with worker committees and the Histadrut, see Section 15.5 above.
- 23.5. **Network sharing agreement** – for details on the network sharing agreement with Wecom, see Section 24.1 below.
- 23.6. For details regarding a non-binding indicative offer submitted by the Company for the acquisition of HOT’s fixed-line communications business, see Section 1.1 above
24. **Cooperation Agreements**
- 24.1. **Sharing Agreement with Wecom**
- Agreement regarding sharing of the 4th Generation and 5th Generation networks, and hosting services for the 2nd Generation and 3rd Generation networks, entered into effect in April 2017. Updates to the agreement entered into effect in March 2022 (“**the Closing Date**”), within the framework of a creditors’ arrangement with Wecom (“**the Sharing Agreement**” or “**the Network Sharing Agreement**”). Wecom began operating in the cellular market in April 2018.
- The Sharing Agreement with Wecom establishes the conditions according to which the shared 4th Generation and 5th Generation network will operate, and the condition according to which hosting services will be provided for 2nd Generation and 3rd Generation networks, and determines, inter alia, the following conditions:
- 24.1.1. Arrangement of the use of the parties’ relevant frequencies; management and operation through the joint corporation; regulation of the holding, ownership of use by parties of the active and passive components of the shared network; arrangement of future investments and the manner in which payment is made with the active components of a 5th Generation network; arrangement of the IRU for the active components of each sharing party to the other sharing party; granting and IRU by the Company to Wecom and the joint corporation for the passive components of the shared network; arranging services that will be provided by the Company to the joint corporation as a subcontractor;

arrangements for the parties' separation' and arrangements for the addition of an additional shared party. The sharing agreement includes an undertaking by Wecom to obtain, from the Ministry of Communication, an amended mobile license and the allocation of frequencies by virtue of the 2020 tender (which have been received as of the date of this report, for details see Section 14.5.1.(2).e above), and to pay the license fees, and the frequency fees with respect thereto, to the Ministry of Communication.

24.1.2. Agreement period - The agreement will be in effect for a period of 10 years after the completion date. For the circumstances in which Wecom will have the possibility to shorten the agreement period to seven years, see Section 24.1.4 below.

24.1.3. Consideration - The annual consideration which the Group will receive during the period of the agreement with Wecom includes, inter alia: (1) payment for IRU to the shared network's passive components and for ongoing operation costs; (2) payment for IRU in the active radio equipment of the shared network; (3) payment for the 2nd Generation and 3rd Generation services the Group provides Wecom, (4) payment (according to the mechanism set) depending on the number of 5th Generation or more advanced generation customers of Wecom and (5) payment for each additional subscriber past a certain amount agreed upon. The Company estimates that the total consideration from the sharing agreement, which also includes participation in the purchasing of equipment for the shared network, will amount, during the agreement period (10 years), to a total of NIS 300-350 million. The Company estimates that the discounts specified in section 24.1.4 below, if given, will not significantly change the Company's estimate regarding the total consideration from the sharing agreement, while the shortening of the agreement, if it occurs, will proportionately reduce the total consideration.

24.1.4. Put option, loan option and call option – Clear Telecommunication Holdings Limited Partnership (“Clear”), Wecom's controlling shareholder after the completion of Wecom's creditors' settlement⁵⁹, was given the option to obligate Cellcom to acquire Wecom's entire (100%) share capital, during a period of three to five and a half years after the closing date, in return for a total of NIS 130

⁵⁹ After the completion of the creditors' arrangement, Clear holds two thirds of Wecom's stock capital, with Xfone 018 Ltd., the controlling shareholder of Wecom prior to the creditors' arrangement, holding one third of Wecom's stock capital.

million (which may increase in certain circumstances) (“**the Call Option**”)⁶⁰. Insofar as the aforementioned Call Option, which is conditional on the receipt of regulatory approvals from the Ministry of Communication and the Competition Commissioner, is not exercisable, Clear was given the option of obligating the Company to provide Wecom with an interest-bearing loan of the same amount, against collateral, the amount of which was agreed upon between the parties, and subject to the provisions of any applicable law (“**the Loan Option**”)⁶¹.

The Company is unable to estimate whether the Call Option or the Loan Option will be exercised, and if so, whether the required approvals for its exercise will be received, and under what conditions.

In certain circumstances, in case it is not possible to exercise the call option that was given to the Company, nor the loan option, Wecom will be entitled to certain discounts with respect to incremental payments it will be required to pay the Company, and it will be entitled to shorten the agreement period by three years (to seven years). Insofar as Wecom chooses to shorten the period of the sharing agreement, as stated above, the Company was given the option of obligating Wecom’s shareholders to sell to the Company Wecom’s entire issued and paid-up share capital, for a total of NIS 130 million, subject the receipt of the regulatory approvals in question (“**the Put Option**”). The Company is unable to estimate whether circumstances will be fulfilled which give the right to discounts, to shorten the agreement, or to the put option, whether those rights will be exercised, and insofar as the put option is exercised - whether the regulatory approvals required for it to be exercised will be received, and under what conditions.

For details on the Group's revenues from Wecom, see Note 30d to the Financial Statements.

The Company’s estimates in connection with the comprehensive compensation in accordance with the sharing agreement, the impact of possible discounts on compensation as detailed above (if any) and the impact of shortening the agreement (if it is shortened), on the total compensation, constitutes forward-looking information, as defined in the Securities Law, which may or may not be realized or be realized in some other manner (including materially) from that described above, this, inter alia, due to

⁶⁰ The Company’s put option is subject to the right of first refusal of Xfone 018 Ltd. (“**Xfone**”) on Wecom shares. In addition, if Clear exercises the put option in question, and Xfone does not exercise its right of first refusal as noted – then Clear shall compel Xfone to sell its shares in Wecom, so that when exercising the option by Clear, Cellcom will purchase 100% of Wecom’s stock capital.

⁶¹ Note that as noted by the Competition Commissioner in her decision, the examination she will conduct prior to the approval of the loan option is expected to focus, among other things, on the existence of another alternative to receiving credit and/or the investment of a financial body in Wecom.

factors and/or influences that cannot be estimated in advance including a dependence on the number of Wecom subscribers and their use of the shared network.

- 24.2. **Roaming agreements** – the roaming agreements allow customers of operator A to receive cellular network services from operator B, when operator A’s customer is located outside the coverage area of that operator, but is in the coverage area of Operator B (incoming and outgoing roaming services).

Through roaming agreements, the Group offers outgoing roaming services to its subscribers when staying outside of Israel and incoming roaming services for subscribers of foreign operators while staying in Israel. As of the publication of this report, the Group has collaborations for the purpose of providing roaming services with several hundred operators in most countries of the world, based on standard GSMA roaming agreements⁶².

- 24.3. **Passive infrastructure cooperation agreement** – on August 16, 2022, approval was received from the Ministry of Transportation for a framework agreement in which the Company engaged in November 2021, according to which the passive infrastructure sharing activities at cellular sites with Pelephone and P. H. I. Networks (2015) Limited Partnership (with the latter later replaced by Partner and HOT Mobile) will be expanded. Cooperation makes it easier and more efficient, to a certain degree, to build cellular sites.

25. **Legal Proceedings**

The Group is a party to legal proceedings filed against it from time to time. As of December 31, 2025, the Company has made provisions totaling NIS 62 million for all suits filed against it. From time to time motions are filed against the Group to approve suits as class actions, some of which for material sums.

As of the publication of this report, there are 30 motions pending against the Company to approve suits as class actions, and the Group is a party to 5 pending material class actions the filing of which against the Group has been approved.

25.1. **Pending material legal proceedings:**

The following are details of pending legal proceedings the sums claimed in which is material and which may have material implications on the Group’s activity:

Claim Filing Date	Type of Proceedings, Parties and Court	Original Sum of Claim	Details
January 2024	A motion to approve a class action filed against the Company and against additional cellular operators, before the Central District Court. The motion claimed that the subscribers of the Company’s Kosher plan were	Over NIS 3 million	In June 2024 a preliminary hearing was held at the District Court. The case is proceeding.

⁶² GSM – an umbrella organization featuring all cellular operators using GSM technology.

Claim Filing Date	Type of Proceedings, Parties and Court	Original Sum of Claim	Details
	blocked from dialing certain numbers, in violation of the law and in violation of Ministry of Communications directives.		
February 2018; June 2023	A motion to approve a class action filed before the Jerusalem District Court, claiming that the Group had unlawfully raised the price of the base package of a plan which it provided to its customers, in which the discount period was time-limited, without providing satisfactory notice regarding the conclusion of the discount period.	The sum of the class action was estimated at tens of millions of NIS.	<p>In April 2020 the Jerusalem District Court ruled on the motion, and according to it the applicants' claim was accepted in part and rejected in part.</p> <p>On May 30, 2023 a ruling was made by the Supreme court accepting an appeal on the motion in question (in the matter of the portion of the ruling that had rejected the motion). In the ruling it was determined, <i>inter alia</i>, that the Company had unlawfully raised the price of the base package of a plan which it provided to its customers, in which the discount period was time-limited, without providing satisfactory notice regarding the conclusion of the discount period. Following the issuance of the ruling, the class action is expected to be heard in the District Court of Jerusalem.</p> <p>In June 2023, the Company filed a motion before the Supreme Court for another hearing in connection with the ruling, which was rejected by the Court on August 17, 2023. The case was returned to the District Court, and the parties reached a settlement agreement (in an amount not material to the Company), which was submitted for the Court's approval.,.</p> <p>A similar motion had been filed against the Company in the past, which is still pending; the parties reached a settlement (at a sum not material to the Company) filed before the court for approval.</p>
March 2023	A motion to approve a suit as a class action filed before the Haifa District Court against the Company on the grounds that the Company had sent advertising messages to its customers in violation of the law, with it not fulfilling the terms of consent for sending messages as required by the Communications Law.	The sum of the class action was estimated by the plaintiffs at over NIS 2.5 million.	In December 2024, the Company received a ruling issued by the Haifa District Court that approved the management of a suit against the Company as a class action, The parties are conducting mediation proceedings with a view to reaching a settlement

Claim Filing Date	Type of Proceedings, Parties and Court	Original Sum of Claim	Details
April 2020	A motion to approve a class action filed to the Tel Aviv Yafo District Court, claiming that the Group had misled its customers in the matter of the contents of an overseas internet package and violated its agreement with them.	The sum of the class action was estimated at NIS 82 million.	The parties reached a settlement (at a sum not material to the Company) filed before the court for approval.

25.2. Other Legal Proceedings Concluded

The following are details of material legal proceedings that have been concluded:

Claim Filing Date	Type of Proceedings, Parties and Court	Original Sum of Claim	Details	Completion Date
February 2013	A class action filed before the Central District Court against a former Group corporation (currently Cellcom Partnership), claiming that it was not in compliance with the Consumer Protection Law and the terms of the license in the matter of the obligation to conclude an engagement on time.	The sum of the class action was estimated at NIS 72 million.	In January 2017 the motion was approved as a class action on a partial basis regarding Company customers who sought to disconnect from the service and who were not disconnected within the period of time set in law, and this even if the Group had mistakenly thought that the customer had retracted their disconnection notice. The primary claim in the suit according to which the group must immediately disconnect a customer upon request with no attempts at retention was rejected, and in March 2019 the appeal filed by the plaintiffs before the Supreme Court was also rejected, and the case returned to the District Court for hearings. The parties reached a settlement (at a sum not material to the Company) filed before the court for approval. On May 22, 2025, a judgment was issued approving the joint motion for a settlement agreement reached between the parties, in an amount not material to the Company.	
July 2014	A motion to approve a suit as a class action filed by the plaintiff, the Israeli Consumers' Council against the Group, two additional cellular operators and a content supplier, claiming that the payment requests, legal proceedings and/or sums charged from them by the content provider are in violation of the law.	The sum of the class action was estimated at NIS 300 million.	In October 2020 a hearing was held before the District Court on this motion and two other motions in the matter of the content services, the hearings for which were consolidated. The Court recommended that the plaintiff not insist on this motion, and in spite of this, the case is still underway. Following the Court's	July 2014

Claim Filing Date	Type of Proceedings, Parties and Court	Original Sum of Claim	Details	Completion Date
			recommendations, the parties reached a settlement (at a sum not material to the Company) filed before the court for approval. On November 15, 2025, a judgment was issued approving the joint motion for a settlement agreement reached between the parties, in a negligible amount.	

26. Goals and Business Strategy and Expected Development in the Coming Year

The primary components and focus areas of the Group's business strategy and goals for coming years are:

- 26.1. **Continued growth and increased income from sales in the field of cellular and fixed line communications** – the Group seeks to increase its revenues in the areas of activity, inter alia, by increasing sales in 5th Generation network cellular services (including premium services and products) alongside sales of cellular packages combing added value service, as well as via fiber optic based internet services (including continuing the focus on converting Company customers to fiber optic infrastructure; and leveraging the Cellcom TV+ service to increase revenues and the sale of Triple services). In addition, the Group is working to focus on the growth of revenues from business customers on the Groups transmission network as well as a growth in security and integration fields.
- 26.2. **Offering comprehensive solutions for the provision of cellular and fixed line communications services, while striving for operational and service excellence** – the Group offers its private and business customers a broad variety of cellular and fixed line communications services. The group intends to continue leveraging its leading position and large market share to deepen the supply of services to its customers, and for the purpose of reducing churn rates in the telecommunications segment. For this purpose, the Group works hard to provide a high-quality service and support experience, innovative and advanced solutions, and invests in developing the service infrastructure including constant expansion and improvement of digital channels and self-service capabilities (including, inter alia, through the use of integrated AI systems and integration of advanced technological solutions in the provision of services to customers). In addition, the Group wishes to be the leader in the field of communications and provide value offers to its business customers.
- 26.3. **Expanding sales activities of end equipment** – the Group seeks to deepen and expand its activity in the sale of end equipment and repair warranty services to private and business customers, inter alia, trough Dymanica as the Group's leading retail arm. For

this purpose, the Company operates on a regular basis to optimize the deployment of branch and services centers through which (inter alia) the sales of end equipment take place (mainly to provide customers). For details regarding physical sales points, see Section 11.1.2 above.

- 26.4. **Preserving the leadership of the Group's brands** – the Group is working and will continue to work to strengthen the Cellcom brand as a leading brand in the communications market, while preserving the Golan Telecom brand in the cellular market and the Dynamic brand as Israel's leading cellular end equipment brand.
- 26.5. **Investment, development and upgrading the Group's communications networks** – the Group is working to uphold high-quality networks that support the provision of advanced solutions that meet its customers' needs, based on its goal to provide them with the best and most advanced user experience. Including the Group operates to maintain and monitor, upgrade and expand the capacity and deployment of its cellular networks. The Company intends to continue to promote cooperation in building cellular sites in order to save costs (for details on the passive infrastructure collaboration agreement, see Section 24.3 above). In the field of fixed line communications, the Group is working to maintain and upgrade the Group's transmission and fiber optic network.
- 26.6. **Optimization of the structure of expenses** – the Group constantly works to streamline and adjust the structure of its expenses by decreasing costs and improving processes in the Group, while constantly striving to improve and maintain the quality of its customer services, all of this as leverage to increase its revenues and improve its profitability. In this context, the Company is also examining alternatives for optimization of its operations in the television services segment⁶³. For details regarding a special collective agreement dated December 2025, under which annual savings to the Company are expected to be generated, see Section 15.5.3 above
- 26.7. **Business development, innovation and compatibility with market trends** – the Group strives to allow itself the flexibility it needs in order to respond quickly and effectively to market trends, including in the field of cellular communications and in the field of fixed line communications. Within the framework of its business development, the Group is considering entering other tangential areas, in order to leverage its advantages and generate growth. As such, the Group is working to leverage its marketing, sales and service capabilities, for the purpose of deepening its activity in the field of electricity supply and testing option of providing additional services in this field, and accordingly – it intends to establish its brand in the field of electricity supply as well. In accordance with Cellcom Energy's business plan, the goal is to achieve a market share of 270,000

⁶³ In this context, in November 2024 the Company entered into a memorandum of understanding with HOT, pursuant to which, subject to its consummation, the Company was expected to market to its subscribers a designated package of audio-visual content of the NEXT TV service, including a VOD library comprising original productions of HOT. In the course of discussions conducted by the Company with the Competition Authority, the Company received a letter from the Competition Authority regarding its application for an exemption from a restrictive arrangement in connection with the said memorandum, in which the Competition Authority noted (inter alia) that, at this stage, its examination of the arrangement between HOT and the Company prima facie indicates that the restrictions therein materially restrict competition in a substantial portion of the market affected by the arrangement and may significantly harm competition. Following continued discussions with HOT regarding the said engagement, in September 2025 the Company and HOT notified the Competition Authority of the withdrawal of the exemption application. For further details, see the Company's immediate reports dated November 12, 2024, June 3, 2025, and September 11, 2025 (reference numbers 2024-01-615316, 2025-01-039823, and 2025-01-068905, respectively). As noted by the Company in its immediate report dated September 11, 2025, the Company will continue to examine alternatives for optimizing its operations in the television services segment, including with HOT and/or with other parties.

electricity customers by the end of 2028⁶⁴. For details regarding a non-binding indicative offer submitted by the Company for the acquisition of HOT's business operations in the fixed-line communications segment, see Section 1.1 above

27. **Discussion of Risk Factors**

The following is a review of risk factors that may have a negative impact on the Group's areas of activity and results: For additional risk factors the Company's activity is exposed to in the field of electricity supply see Section 9.12 above.

27.1. **Macroeconomic Risk Factors**

27.1.1. **Financial risks** – the Group is exposed to changes in exchange rates, as some of its expenses, mainly mobile end equipment, is in U.S. dollars while its revenues are in NIS. In addition, the Group has certain exposure for additional expenses linked to the Consumer Price Index, such as rental expenses/usage fees (see Section 13.3 above). In addition, changes in interest rates may impact the cost of raising debt by the Company as well as on financing expenses for variable interest loans denoted in the credit frameworks and for the commercial securities interest impacted by the interest in the economy. The Group is working to reduce the exposure to financial risks (including currency exposure and USD) through financial hedging agreements as carried out from time to time. In recent years the Company has made a number of offering of debentures not linked to the CPI.

27.1.2. **Regional conflict and political or economic instability** – an armed conflict, act of terror or political or economic instability in the State of Israel may lead to harm to the Group's infrastructure and/or revenues, including from roaming services of incoming and outgoing tourism and from the sale of end equipment (due to potential impacts on the imports of end equipment). Such negative influences may also be realized as a result of an increase in criticism of Israel by the international community, including inclusion in the list of companies published from time to time by the UN Human Rights Organization.

The Group's activity, its fixed assets, its customers and some of its suppliers are in Israel. Any damage to the Group's communications network and/or information systems may harm the Group's ability to continue providing its services, in whole or in part, and/or harm the Group's activity in some other way and may have a negative impact on its business results.

⁶⁴ That stated above in connection with the number of electricity customers as noted above, constitutes forward-looking information, as defined in the Securities Law, which may or may not be realized or be realized in some manner different (including materially different) from that described above, this, among other things, due to factors and/or influences that cannot be estimated in advance including changes that may occur in the business plan and in the expected start of activity dates (among other things, due to delays in connection with the implications of the Iron Swords War and/or the security situation in northern Israel), including changes that may occur in the electricity industry and regulatory changes (including in connection with electricity rates), the dates required permits are received, changes in construction and financing costs of projects at the basis of the engagements in question, the impact of competition in the industry on the business plan, changing economic and geopolitical environments and more.

In addition, the discontinuation of the provision of services in the Judea and Samaria regions as a result of the end of Israeli control of these areas, may lead to a loss of subscribers and revenues.

For details on the impact of the Iron Swords War on the Group's activity and business results, see Note 1.b to the Financial Statements.

27.1.3. Cyber-attacks – in recent years there has been an increase in the frequency, scope and damage potential of cyber-attacks against companies including the Group. Cyber-attacks may lead to equipment failures, loss, disclosure, access, use, vandalism, destruction or appropriation of information, including sensitive personal information of customers or employees, or expensive content and technical and marketing information, as well as disruptions in Group and customer activity. The inability to operate the networks and systems of the Group, its suppliers or other service providers, even for a limited period of time, may lead to significant expenses (beyond the Group's insurance coverage), the loss of market share to other providers, suits, sanctions and legal proceedings, as well as harm to the Group's reputation and lead to a material negative impact on its operating results or monetary status. For details on cyber defense at the Group and functional continuity plans, see Section 22.9 above. For further details see Section 22.9 above.

27.2. Industry Risks

27.2.1. Increased competition – the communications market is characterized by high levels of competition in many of its areas. The Ministry of Communications is continuing to work to lower barriers and increase competition in various fields of communications. For details see Section 22.2.1.(4) above. The Company estimates that the current level of competition in most of the markets in which the Group is active and various pricing plans by the Group's competitors are expected to continue. For details on how the Group deals with competition in its areas of activity, see Section 12.2 above.

In this context, the realization of any of the following risks may lead to a negative impact (including material negative impact) on the Group's operating results:

- (1) A drop in rates, including as part of a package of services.
- (2) Pricing or changes in regulations in such a manner that will impact the Group's ability to offer competitive service packages;
- (3) Increased competition on behalf of the Bezeq and HOT Groups, as a result of their domination in the terrestrial market.;
- (4) The entrance of new competitors, including international companies, into markets in which the Group is active or the activity of competitors in that market according to materially different regulations that will encumber the Group;
- (5) Making complementary services (such as services of international content suppliers as detailed in Section 12.4.2. above) competitive with the Group's

- services or the entrance of existing competitors to areas in which they had not been active or in which they had only been partially active to date;
- (6) A significant expansion of the current capability to provide self-communications services, including through third parties who are not license holders; the supply of coverage better than that provided by cellular operators owning infrastructure through the use of a number of networks; allocating frequencies to companies that will be able to provide cellular services not to the entire public throughout the country; see footnote 24.
 - (7) The Group's inability to purchase additional frequencies at amounts equal or similar to the frequencies purchased by its competitors or at an insufficient amount and/or the lack of the Group's ability to make use of frequencies allocated to Wecom and/or which Wecom won in the 2020 Tender. Lack of ability to make the required investments in the Group's networks or business in general, in order to preserve its competitive status;
 - (8) Regulatory or technological changes that make it easier and/or possible for customers to move between operators and the manner in which services are consumer by customers, including e-SIM technology (for further details, see Section 7.1 above);
 - (9) The Group's competitors' ability to secure better access and terms of engagement with international suppliers or foreign operators, due to them belonging to international groups or due to the existence of exclusivity arrangements.
 - (10) Moving to other frequencies, which will have a negative impact on the Group's services or that the Group will be required to bear the costs of changing frequencies or reducing frequencies, which does not impact competitors or the allocation of frequencies held by the Company to other companies or a demand to return frequencies allocated to the Group for the restriction of the use of frequencies and/or not allocating additional frequencies (if needed) and/or allocating frequencies under terms not beneficial to the Group and/or under inferior conditions and/or at a more smaller amount than for other operators and/or a demand to replace frequencies according to unreasonable timetables or while bearing the costs of their replacement. For details on a demand the Company received to change its frequencies, see Section 14.5.3 above.

27.2.2. Changes in legislation and high legislative involvement – changes in legislation, regulatory intervention in the communications market and in the Group's activity and court rulings may have a material negative impact on the Group's operating results, inter alia, due to"

- (1) Cancellation or additional relief in the structural separation obligation applicable to Bezeq and HOT;
- (2) Different regulatory rulings regarding rates in the wholesale market that do not benefit the Group, including setting high rates for wholesale services (in particular in light of increased demand for speed for high data capacity for internet and TV services) or the complete cancellation of wholesale market rates. In addition, establishing a mechanism that does not prevent Bezeq or HOT from reducing wholesale rates and thus reducing the margin squeeze;
- (3) Granting relief and benefits to the Group's competitors;
- (4) Establishing conditions for the deployment of the Group's network when using new frequencies that will require significant investment by the Company, without touching upon the Group's economic feasibility or financial status;
- (5) An additional lowering of entrance barriers and encouraging new competitors to enter the communications market, such as decreasing the requirements for the receipt of a license or issuing relief for the provision of communications services that may increase competition in the market;
- (6) A significant expansion of the current capability to provide self-communications services, including through third parties who are not license holders; the supply of coverage better than that provided by cellular operators owning infrastructure through the use of a number of networks; allocating frequencies to companies and giving them the ability to provide cellular services not to the entire public throughout the country;
- (7) Setting additional safety or health requirements; setting additional requirements or restrictions regarding building and operating base sites and networks;
- (8) Establishing additional restrictions or requirements on the provision of services and products and/or intervention in their marketing, advertising, price and supply conditions, including regarding existing agreements;
- (9) Setting higher standards of service, both regarding network quality, coverage and survivability (including energy survivability, including during emergencies) and regarding customer services, including response times;
- (10) Setting a timetable for the implementation of new requirements in a license of implementing other legislation that cannot be met;

- (11) Setting stricter policies regarding privacy protection, including regarding the Group's commercial activity or in favor of third parties;
- (12) Imposing regulation on the Group's OTT television services, including an obligation to finance original productions or impose such regulation on the Group, and not imposing such regulations, whether in general or whether less strict regulations for other OTT suppliers, (For details regarding the Communications (Broadcasting) Bill, 2025, see Section 22.6.3.(2) above);
- (13) Restricting or prohibiting the renewal of the licenses and assigning additional frequencies;
- (14) Establishing regulations that does not benefit IBC's activity or competitive status, which will have a negative impact on the Group as customer of IBC.
- (15) Any amendment to the Radiation Law or the Planning and Construction Law (including changes to TMA 36 that will prohibit or significantly limit the issue of permits or exemptions from the receipt of permits in accordance with these laws, may, inter alia, limit the Group's ability to build new sites (and if it applies to existing sites, may limit the Group's ability to renew the operating permits of many of its existing sites and may even lead to their disassembly), have a negative influence on the quality and coverage of the Group's existing and future networks, particularly in urban areas, and have a negative impact on the effective marketing of the Group's products and services and thus have a negative impact on its operating results.

27.2.3. A significant drop in profitability as a result of material changes in the regulatory and business environment – an increase in levels of competition in markets in which the Group is active, that may be caused, inter alia, as a result of material and ongoing changes in the Group's regulatory and business environment, may have a negative impact on the Group's operating results and financial status, prevent it from making the required investments in order to preserve its competitive status and potential future growth or compel it to raise additional debt under non-optimal conditions, or make it difficult for it to recycle existing debt.

27.2.4. Site licensing – Difficulties encountered by the Group (as well as its competitors) in securing the required permits and approvals from government and regulatory bodies, and in particular building permits, including due to public concerns regarding radiation from sites, may have a negative impact on the Group's existing infrastructure and the continued development of its cellular network. In addition, failure to secure the approvals in a timely manner may harm the cellular

services quality goals as set in the Group's license, lead to the loss of customers, as well as have a negative impact on the Group's business results.

27.2.5. Non-ionizing radiation from end equipment and sites – cellular end equipment and sites of various types emit non-ionizing radiation. The construction and operation of base sites is stipulated on the receipt of a construction and operation permit from the Radiation Supervisor. The Group is working to make sure that the levels of radiation emitted by end equipment sold by it and by the cellular sites do not exceed levels of radiation permitted by Ministry of Environmental Protection guidelines (set in accordance with international standards).

If public concerns regarding non-ionizing radiation increase and/or health risks as result of non-ionizing radiation are discovered and/or deviations are found from radiation standards at sites or in end equipment and/or the courts ruled against the Group or against some other cellular operator and/or a settlement is reached in the suit pertaining to health damage, this may have a material negative impact on the Group. This material impact may derive, inter alia, from the following reasons: various types of compensation suits for significant property damage or bodily harm, difficulties in building, operating and renting sites, a decrease in revenues as a result of a decrease in uses of cellular communications, and exercise of the letters of indemnification deposited at design institutions in connection with Section 197 of the Planning and Construction Law, as detailed in Section 22.5.1.(3) above. Note that the Group does not have insurance coverage for the cases described above. In addition, the Group cannot assess the impact of non-ionizing radiation on it, if any.

27.2.6. Dependence on licenses and Registry listings – the Group provides communications services in accordance with the licenses and permits issued to it by the Ministry of Communications, which may be altered and extended from time to time. No certainty exists that the Group's licenses will be renewed by the Ministry of Communications. Inasmuch as the licenses are extended, they may be extended under terms not convenient to the Group. In the matter of exposure to interpretation and the application given by the Ministry of Communications to the terms of the licenses, see Section 22.4 above.

27.2.7. Technological changes and dependence on technology – the communications market is characterized by frequent and significant changes in technology and requires investment in advanced technology in order to remain competitive.

In order to meet the increased demand for data communications over the cellular network, the Group must continue to invest in the 4th Generation and 5th Generation network, hold a sufficient amount of frequencies and upgrade its

transmission network. In addition, the Company needs to develop and provide a response to increases in the network core and in its networking array as well as international capacity requirements in accordance with increases in traffic volumes. The increases in data traffic levels, both on the fixed line network and the cellular network, is expected to continue in the future.

In order to meet the increased demand for data traffic over terrestrial networks, and find better alternatives to purchasing capacity from suppliers with extensive infrastructure, the Group has invested in infrastructure deployment and in IBC (Prior to the sale of its holdings therein, see Section 18.1.6 above) and has entered into an agreement with IBC to purchase usage rights to its infrastructure. These activities are expensive and require administrative attention that can be aimed at other activities.

If the Group does not have sufficient frequencies or the Group does not manage to make up for the required increase in expense or in investments (in particular in comparison with its competitors, some of whom are not required to make similar investments or pay increased expenses), the Group's operating expenses may be materially negatively impacted.

Likewise, moving to new technologies and using new equipment exposes the systems and services to problems, whether problems that had not been discovered or solved in the new technology or the new equipment, or whether due to the transition process itself.

In addition, the Group's activity depends on a number of complex information systems and technologies, including billing systems. Problems with complex systems that change and expand on a regular basis are unavoidable. A problem in any of the Group's systems that may have a negative impact on its ability to provide services and products to customers or bill them properly, may lead to a loss of income, have a negative impact on the Group's branding and expose it to lawsuits and administrative sanctions. As of the publication of this report, the Group is continuing to develop additional modules for the Company's CRM system (for details see Section 16.2.6 above). The development and assimilation process requires significant monetary resources and executive attention and may lead to unexpected difficulties and operational failures.

27.2.8. Drop in revenues and profit from end equipment – the sale of end equipment constitutes a significant part of the Group's revenues (both in the field of cellular communications and in the field of terrestrial communications). In recent years, additional competitors have entered this field and increased competition in the market. The continuation of the trend or additional changes in this market,

including those detailed below, may have a negative impact on the scope of activity and profitability of end equipment:

- (1) Entrance of new domestic or international competitors in the field;
- (2) Changes in distribution channels or customer purchasing habits;
- (3) The inability to continue marketing products from certain suppliers constituting a large share of the Group's sales (such as marketing Samsung and Apple products constituting most of the Group's sales As of the publication of this report);
- (4) In the fixed end equipment field – business companies moving to the cloud and having less need for physical end equipment.
- (5) New legislation and the decisions of regulators or courts, which may impact on the Group's ability to market end equipment or make money from it.

27.2.9. Emergency conditions – there are legislative provisions and directives in the MNO license granting legally certified parties, during times of emergency, authorization to take steps needed to ensure the safety of the State and the good of the public, including: requiring the Group to provide service or build a communications facility for the security services, provide engineering equipment and facilities owned by the Group and even taking control of the Group's systems and resources.

27.2.10. Legal proceedings – the Group is party to legal proceedings filed against it from time to time, including (a) suits on consumer subjects and privacy subjects – the scope and size of the Group's activity, the number of services provided, the amount of information processed, changes in the Group's activity and its price plans, frequent changes in legislation and the law applicable to the Group, the involvement of thousands of service and sales reps in connection with the customer and cyber-attacks, increase the risk of service failures, harm to or penetration of the Company's systems, and incompatibilities between plans, prices and information on the basis of which the Group is active, in spite of the Group's efforts to reduce the risk in question. The Group's exposure to legal proceedings the grounds of which on consumer subjects and privacy subjects as noted above, including within the framework of requests to approve class actions against the Group, are at material sums⁶⁵; (b) suits by employees, subcontractors, suppliers, property renters, authorities or others – the Group employs thousands of workers and therefore is exposed to suits filed by them, including class action

⁶⁵ For details regarding Amendment No. 13 to the Protection of Privacy Law, which imposes various obligations on the Company and grants the Privacy Protection Authority broad supervisory and enforcement powers, see Section 22.8 above

suits. In addition, the Group is exposed to third party suits in connection with commercial disputes, claims from state authorities, including the Ministry of Communications, and proceedings in the matter of planning and construction (as detailed in Section 22.5.1.(1).c above), and (c) intellectual property claims – the Group has a risk of intellectual property rights claims, regarding its services that include television services and other content services (including video, images and music) the Group purchases from outside content providers. These proceedings may demand that the Group manage expensive and complex proceedings, regardless of the justification of the claims against the Group and limit its ability to make use of certain content if ruled against.

27.3. **Risks Particular to the Group**

27.3.1. High debt and debt recycling ability – the Group has raised significant debt, which exposes the Group to market change and may make it difficult for the Group to respond rapidly to changes in the industry and in competitive market conditions, including by raising additional debt and/or debt refinancing. For further details on the Group's debts, see Section 19 above and Note 18 to the Financial Statements.

27.3.2. Dependence on suppliers – the Group is dependent on a number of suppliers that provide it with network communications equipment, information systems, content and end equipment, including operation and maintenance equipment for them. The Group's business results may be negatively influenced if one of its suppliers does not provide products or services at the quality or date required, or provides them under conditions that are not optimal for the Group; provides its products or services to the Group's competitors under preferred conditions; fails to product successful or high-demand products or services in the absence of equivalent alternatives; or decides to increase the price of products or contents (such as sports content providers).

In addition, the Group is also dependent on infrastructure suppliers for internet access (Bezeq and HOT), fixed line infrastructure (Bezeq and IBC), fixed line communications and television services. In addition, the Group relies on agreements with foreign operators, which cannot control (or control the quality of their service), which provide cellular roaming capabilities to the Groups' cellular subscribers and domestic operator services to its cellular and fixed line subscribers. In addition, in its activity in the field of television, the Group has a certain level of dependence on its content providers.

Furthermore, a global chip shortage, delays in supply chains as a result of global and domestic security situations (or a natural disaster, extreme weather events, or

similar events) may lead to suppliers not being able to provide the Group with the equipment it needs for its activity or do so at extended timetables that will lead to delays and postponement, with all of these capable of negatively impacting the Group's operating results and its ability to deal with problems or develop the network.

27.3.3. Network sharing agreement – the Group's network sharing with Wecom (by virtue of the network sharing agreement between the parties) is material to the Group. If the sharing agreement is cancelled or violated, the payments to the Group in accordance with the agreement are not paid for extended periods of time, for any reason, this may lead to a negative impact on the Group's operating expenses. In addition, in the event that the Company is not able to use Wecom frequencies in the shared network, this may impact on the quality of service.

27.3.4. The Group's investments in new businesses – in recent years the Group has invested in the development of new businesses with the aim of expanding its capabilities and product offerings, such as its entrance into the electricity supply market.

The Group's investments in new businesses are dangerous by nature and therefore there is no certainty that the strategies or products in question will succeed and not have a material negative impact on the Group's reputation, its financial status and its operating results.

27.3.5. Worker organization – worker unions may limit the Group's ongoing activity, including its flexibility in making organizational and personal changes, and demand extensive managerial attention. In addition, disagreements with representatives of the workers' organization may lead to organizational steps and negative impact on the Group's services and customer service. Such changes may fail or be carried out in a manner different than planned, and as a result lead to lower savings than planned. For further details on employee organization at the Group, see Section 15.5 above.

27.3.6. Core System Malfunction or Failure – The Company provides its services through various infrastructures and systems, including, inter alia, communication networks, information systems, physical infrastructure, and others. These infrastructures and systems are of critical importance to the operation of the Company's business and play a vital role in its ability to conduct its activities. Any collapse, failure, damage, or temporary or prolonged malfunction may adversely affect the Company's business. Backup systems exist for some of these systems. However, in the event of impairment to part or all of the systems, whether due to a technical malfunction, natural disaster, or physical damage to

infrastructure, significant difficulties may arise in the provision of the Company's services.

27.4. **Risk Factor Table**

The following table presents the risk factors described above according to their nature, which have been ranked, in accordance with Group Management estimates, and according to their effect on the Group's business as a whole:

Type of Risk	Risk Factors	Influence on the Group's Business		
		Major Influence	Moderate Influence	Minor Influence
Macro Risks	Financial risks		X	
	Regional conflict and political or economic instability		X	
	Cyber attacks		X	
Industry Risks	Increased competition:	X		
	Changes in legislation and high levels of regulatory intervention	X		
	Significant drop in profitability as a result of material changes to the regulatory and business environment	X		
	Site licensing		X	
	Non-ionizing radiation from end equipment and sites			X
	Dependence on licenses			X
	Technological changes and dependence on technology		X	
	Drop in end equipment revenues		X	
	Times of emergency			X
	Legal proceedings		X	
Risks Particular to the Group	High debt and debt recycling capability		X	
	Dependence on suppliers			X
	Network sharing agreement			X

Type of Risk	Risk Factors	Influence on the Group's Business		
		Major Influence	Moderate Influence	Minor Influence
	The Group's investments in new businesses			X
	Worker unionization			X
	<u>Core System Malfunction or Failure</u>	X		

For details on risk factors in the field of electrical supply activity, see Section 9.12 above.

Chapter B

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

December 31, 2025

The Company's Board of Directors hereby respectfully submits the Board of Directors' Report on the State of the Company's Affairs and its subsidiaries (hereinafter together: "**The Group**") for the period of the year ended on December 31, 2025 (the "**Report Period**"). This Report is prepared according to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 (the "**Report Regulations**").

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

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 as of December 31, 2025 (the "**Financial Statements**") (for details see Note 6 to 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 transfer 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 and 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, 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. A review of the Company's management regarding the results of the Group's activity for the year 2025 and material processes that were conducted that year:

The Group concluded the year 2025 with net profit of NIS 564 million, compared with NIS 173 million in 2024, reflecting an increase of 226%. The profit for 2025 was impacted by the sale of the Company's holdings in the infrastructure company IBC, which was completed in October 2025. The consideration from the sale totaled NIS 520 million. The total impact of the sale on profit before tax in 2025 amounted to NIS 386 million.

Revenues excluding interconnect fees totaled NIS 4,155 million, compared with NIS 4,176 million in 2024, reflecting a decrease of approximately 0.5%. The decrease primarily resulted from lower revenues from end-user equipment and international services in the fixed-line segment. This decrease was partially offset by an increase in roaming revenues, cellular service packages, and higher revenues from internet and television services in the fixed-line segment. Total Group revenues in 2025 amounted to approximately NIS 4,244 million, compared with approximately NIS 4,444 million in 2024, representing a decrease of approximately 4.5%.

Service revenues in the cellular segment in 2025, excluding interconnect fees, amounted to NIS 1,688 million, an increase of 4.8% compared with 2024, mainly due to higher roaming revenues and cellular packages. Total revenues in the cellular segment, including interconnect fees, decreased by approximately 4.9% compared with the previous year and amounted to approximately NIS 1,773 million. The decrease was primarily the result of regulatory reductions in interconnect fees (see Note 32(e) to the financial statements).

Service revenues in the Fixed-line segment for 2025 amounted to approximately NIS 1,359 million, compared with NIS 1,339 million in 2024, reflecting an increase of approximately 1.5%. The increase resulted from growth in internet and television service revenues.

In 2025, the Company expanded the Group's cellular subscriber base, which reached 3,661 thousand subscribers at year-end, an increase of approximately 1.3% compared with 2024. The internet subscriber base reached approximately 386 thousand subscribers, an increase of roughly 9 thousand during the year. The fiber subscriber base reached approximately 351 thousand subscribers, representing 91% of the Group's total internet infrastructure subscribers.

Revenues from end-user equipment in 2025 amounted to approximately NIS 1,257 million, a decrease of approximately 9.5% compared with 2024, due to lower equipment revenues in the fixed-line segment.

End-user equipment revenues in the cellular segment for 2025 amounted to approximately NIS 1,095 million, compared with NIS 1,085 million in 2024, reflecting an increase of approximately 0.9%. End-user equipment revenues in the fixed-line segment for 2025 amounted to approximately NIS 162 million, compared with NIS 304 million in 2024, reflecting a decrease of approximately 46.7%.

Adjusted EBITDA (see the definition of Adjusted EBITDA in Section 4 of this report) totaled approximately NIS 1,405 million in 2025, an increase of approximately 3.5% compared with 2024. The increase resulted from higher revenues from cellular sales and roaming services, as well as from a reduction in operating expenses.

Adjusted EBITDA in the cellular segment totaled approximately NIS 911 million in 2025, an increase of approximately 4.4% compared with 2024, while Adjusted EBITDA in the fixed-line segment amounted to approximately NIS 494 million in 2025, an increase of approximately 1.9% compared with the previous year.

Adjusted EBITDA in the electricity segment amounted to profit of approximately NIS 1 million, compared with a loss of approximately NIS 6 million in 2024, based on the Company's share in each respective year.

Operating profit amounted to approximately NIS 429 million in 2025, an increase of approximately 14.7% compared with 2024. Operating profit in the cellular segment totaled approximately NIS 340 million in 2025, an increase of approximately 30.9% compared with 2024. Operating profit in the fixed-line segment amounted to approximately NIS 89 million in 2025, a decrease of approximately 21.9% compared with the previous year, primarily due to lower equipment revenues in the fixed-line segment. Operating profit in the electricity segment amounted to approximately NIS 0 million (Company's share), compared with a loss of approximately NIS 6 million in 2024.

Free cash flow (FCF) for 2025 totaled approximately NIS 350 million, compared with approximately NIS 285 million in 2024, an increase of approximately 22.8%, driven, among other factors, by improved operating performance and working capital. In December 2025, the Company paid prepaid expenses in the amount of NIS 57 million for frequency fees relating to the first half of 2026.

Net financial debt at year-end 2025 totaled approximately NIS 1,119 million, a decrease of approximately NIS 582 million compared with year-end 2024. The decrease in debt resulted from the proceeds of the sale of the Company's holdings in IBC and from free cash flow, both contributing to the reduction in debt.

1.3. Events during and subsequent to the Report Period

- A. For details on the impact of the security condition in Israel on the Company, see Note 1 B to the Financial Statements.
- B. In October 2025, the Company completed the sale of its holdings in IBC and received consideration of approximately NIS 520 million for the shares sold. For further details regarding the transaction, see Note 30(f) to the financial statements
- C. In November 2025, the Company announced a dividend distribution in the amount of NIS 200 million to its shareholders, which was paid in December 2025. For additional details regarding the dividend distribution, see Note 20(c) to the financial statements.
- D. In March 2026, subsequent to the reporting period, the Company announced a dividend distribution in the amount of NIS 200 million to its shareholders. For further details regarding the announcement, see Note 20(c) to the financial statements.
- E. For details regarding the memorandum of understanding with HOT relating to the Company's television services operations, and the request for exemption from a restrictive arrangement submitted in connection with the transaction, see Note 30(i) to the financial statements.
- F. For details regarding cooperation agreements in the electricity sector, see Note 30(h) to the financial statements.
- G. For details regarding the decision to initiate the liquidation of Cellcom Fixed Communications Limited Partnership, see Note 6(a) to the separate financial information.
- H. On November 30, 2025, the Company submitted an indicative and non-binding offer to Altice International S.à r.l and to HOT Telecommunication Systems Ltd. ("HOT") for the acquisition of HOT's fixed-line communications business. The offer was submitted without prior negotiations between the parties, is time-limited, and is based on various terms and assumptions. It is also subject to due diligence procedures and the formulation of agreements

between the parties. It is clarified that this is an initial and non-binding offer, and there is no certainty that it will mature into a binding offer and/or into negotiations regarding a transaction and/or into a binding transaction (which would also be subject, among other matters, to regulatory approvals).

For additional information regarding the business environment and its impact on the Group's operations, see Section A of this periodic report.

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

In 2025, inflation increased by 2.36%. In addition, the Bank of Israel set the interest rate at 4.25% at the end of 2025, compared with 4.5% in the previous year. In January 2026, subsequent to the reporting date, the interest rate was reduced to 4%.

Below is the Company's assessment of the direct impact of the increase in inflation and interest rates on the Group in 2025:

The increase in inflation affects the Company's rental expenses for buildings and cellular sites, most of which are linked to the CPI. According to the Company's estimates, a 1% increase in the inflation rate would result in an increase of approximately NIS 2 million in the Group's expenses, before tax.

In addition, higher inflation impacts finance expenses relating to Series J CPI-linked debentures. In 2025, the Company recorded financing expenses of approximately NIS 1 million, before tax, in respect of CPI linkage on these debentures. The CPI-linked outstanding balance of the debentures decreased from NIS 48 million at the end of 2024 to approximately NIS 24 million at the end of 2025, and is expected to be fully repaid during 2026.

Below is the Company's assessment of the indirect impact of the increase in inflation on the Group's results:

As a result of rising CPI levels in the economy, there may be increases in the cost of inputs for the Group, which may affect the Group's results.

Below is the Company's assessment of the impact of changes in interest rates on the Company:

Changes in interest rates do not materially affect the Company's cost structure directly. However, with respect to future debt refinancing and/or potential future debt issuances and/or the utilization of credit lines in accordance with the Company's needs, a higher interest-rate environment may affect the interest rates applicable to such potential future borrowings and, consequently, the Company's finance expenses. The Company has commercial paper ("CP") and credit facilities that are affected by market interest rates. Therefore, any 1% change in the interest rate would result in an increase or decrease of approximately NIS 2 million in annual finance expenses. For further details regarding the impact of interest rates on the financial statements, as well as the impact of interest rates on goodwill impairment testing, see Notes 13(b) and 22 to the financial statements.

2. Financial position

Section	As of December 31		Board of directors' explanation
	2025	2024	
	NIS millions		
Current assets	1,616	1,558	The change is primarily attributable to an increase in cash balances, resulting from the consideration received from the sale of the Company's holdings in the IBC infrastructure company. This increase was partially offset by a decrease in inventory balances as of the reporting date.
Non-current assets	4,835	4,946	The decrease is primarily attributable to the disposal of an investee company.
Total assets	6,451	6,504	
Current liabilities	1,935	2,083	The decrease mainly reflects a reduction in the current portion of debentures and a decline in trade payables.
Non-current liabilities	1,681	1,969	The decrease reflects a reduction in the debenture liability.
Total liabilities	3,616	4,052	
Equity	2,835	2,452	Current period profits, offset by dividends distributed to shareholders.
Total liabilities and equity	6,451	6,504	

3. Analysis of the operating results

3.1. Below is an analysis of the Company's operating results for the year ended on December 31, 2023, 2024 and 2025 (in NIS millions):

Section	For the year ended at December 31			Board of directors' explanation for 2025 versus 2024
	2025	2024	2023	
	NIS millions			
Revenues from services	2,987	3,055	3,217	The decrease is mainly attributable to lower interconnect fee revenues, partially offset by higher revenues from cellular services. In the fixed-line segment, an increase in internet and television revenues was partially offset by a decline in revenues from international services.
Revenues from equipment	1,257	1,389	1,181	Mainly due to a decrease in revenues from end-user equipment in the fixed-line segment.
Total revenues	4,244	4,444	4,398	
Cost of revenues	(2,793)	(3,034)	(3,062)	A decrease in interconnect fees and fixed-line equipment costs, partially offset by higher frequency-fee expenses following the expiration of the discount arrangement
Gross profit	1,451	1,410	1,336	
Gross profit rate from total revenues	34.2%	31.7%	30.4%	
Sale and marketing, General and administrative costs and credit losses	(1,066)	(1,042)	(999)	An increase in selling-commission, welfare, and credit-loss expenses, partially offset by a decrease in salary expenses.
Other income (loss), net	44	6	(4)	In 2025, revenues increased due to higher interest income from installment transactions and income from fee-based services. These increases were partially offset by expenses related to the voluntary retirement plan.
Operating profit	429	374	333	
Financing costs, net	(102)	(125)	(140)	The decrease is attributable to lower interest expenses due to a reduction in debt, as well as to foreign-exchange income.
gain from sale of an equity accounted investee	386	-	-	Gain from the sale of the Company's holdings in IBC.
Share in the losses of equity accounted investees	1	(16)	(3)	Attributable to a decline in losses from investee companies (Cellcom Energy and IBC).
Profit before taxes on revenue	714	233	190	
Taxes on income	(150)	(60)	(56)	The increase in tax expenses reflects higher profit, mainly resulting from the sale of the Company's holdings in IBC.
Net profit	564	173	134	

Below is analysis of operating results during quarters (in NIS millions):

Section	Q4 2025	Q4 2024	Board of directors' explanation
	NIS millions		
Revenues from services	722	755	A decrease mainly due to the reduction in interconnect fees in June 2025.
Revenues from equipment	330	340	An increase in sales of cellular equipment, partially offset by a decrease in sales of end-user equipment in the fixed-line segment.
Total revenues	1,052	1,095	
Cost of revenues	(683)	(735)	A decrease mainly due to the reduction in interconnect fees in June 2025.
Gross profit	369	360	
Gross profit rate from total revenues	35.1%	32.9%	
Sale and marketing, General and administrative costs and credit losses	(296)	(266)	An increase mainly due to higher advertising and employee-welfare expenses.
Other income, net	2	12	
Operating profit	75	106	
Financing costs, net	(20)	(27)	A decrease in interest expenses due to lower debenture balances, together with an increase in interest income from deposits.
gain from sale of an equity accounted investee	386	-	Resulting from a gain recorded in the current quarter following the sale of the Company's investment in IBC.
Share in the profit of equity accounted investees	(2)	(6)	
Profit before taxes on revenue	439	73	
Taxes on income	(75)	(18)	An increase resulting from higher profit.
Net profit	364	55	

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

Financial data (million NIS)	2025	2024	Q4'25	Q3'25	Q2'25	Q1'25	Q4'24	Q3'24	Q2'24	Q1'24
Revenues from services cellular segment	1,684	1,599	420	442	413	409	406	417	400	376
Revenue from equipment cellular segment	1,095	1,085	297	241	250	307	281	249	272	283
Revenue from other services (as of June 30, 2025, including mainly IC) ¹	89	266	-	2	41	46	47	51	77	91
Total Revenues cellular segment	2,868	2,950	717	685	704	762	734	717	749	750
Revenues from services fixed-line segment	1,359	1,339	342	339	340	338	337	336	332	334
Revenue from equipment fixed-line segment	162	304	33	43	39	47	59	100	57	88
Total Revenues fixed-line segment	1,521	1,643	375	382	379	385	396	436	389	422
Consolidation adjustments	(145)	(149)	(40)	(34)	(36)	(35)	(35)	(37)	(38)	(39)
Total revenues	4,244	4,444	1,052	1,033	1,047	1,112	1,095	1,116	1,100	1,133
Gross profit equipment	217	226	62	57	45	53	51	57	58	60
Adjusted EBITDA ² cellular segment	911	873	210	248	229	224	214	223	231	205
Adjusted EBITDA ² fixed-line segment	494	485	126	121	122	125	140	131	117	97
Adjusted EBITDA ²	1,405	1,358	336	369	351	349	354	354	348	302
Operating profit	429	374	75	127	117	110	106	110	111	47
Financing expenses, net	102	125	20	29	27	26	27	31	35	32
Profit for the period	564	173	364	76	64	60	55	56	55	7

1 Interconnect fees (IC)- this component refers to interconnection 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 or landline network (as of June 15, 2025, interconnect fees are generally no longer charged for call minutes) or for sending an SMS message to the company's cellular network. For further details on interconnection fee rates see Section 22.3.1 of Chapter A of the 2025 Periodic Report. Starting from the third quarter of 2025, revenues from incoming international calls to the Company as a cellular operator are classified under cellular segment service revenues instead of other cellular segment service revenues.

2 See definition in Section 4 below.

Financial data (million NIS)	2025	2024	Q4'25	Q3'25	Q2'25	Q1'25	Q4'24	Q3'24	Q2'24	Q1'24
Capital investments in property, plant, equipment and intangible assets	630	665	171	145	165	149	176	166	171	152
Investments in property, plant, equipment and intangible assets	574	638	178	134	133	129	161	159	156	162
Free cashflow	350	285	42	111	103	94	71	93	62	59
Finance debt ,net	1,119	1,701	1,119	1,464	1,554	1,625	1,701	1,750	1,820	1,855
Operational Data										
Number of cellular Subscribers (thousands) ³	3,661	3,614	3,661	3,645	3,624	3,602	3,614	3,571	3,554	3,561
Churn rate for cellular Subscribers ⁴	31.5%	29.3%	7.7%	8.0%	7.5%	8.3%	6.4%	7.6%	7.7%	7.6%
Monthly cellular ARPU (NIS) ⁵	40.8	43.6	38.6	40.8	41.8	42.1	42.1	43.7	44.8	43.7
Monthly cellular ARPU (NIS) without IC ⁶	38.7	37.4	38.4	40.5	38.2	37.8	37.7	39.0	37.6	35.3
Monthly Internet ARPU (NIS) ⁷	99.6	92.5	101.5	100.3	98.9	97.9	96.2	92.8	91.7	88.9
TV Subscribers (thousands)	275	273	275	275	275	273	273	272	269	266
Internet infrastructure Subscribers (thousands) ⁸	386	377	386	386	384	381	377	373	365	358
Fiber infrastructure Subscribers (thousands)	351	322	351	348	341	334	322	311	295	280

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	
	2025	2024	Change % in	2025	2024	Change % in	2025	2024	Change % in	2025	2024
Revenue from services	1,773	1,865	(4.9%)	1,359	1,339	1.5%	195	77	153.2%	(340)	(226)
Revenue from equipment	1,095	1,085	0.9%	162	304	(46.7%)	-	-	-	-	-
Total revenue	2,868	2,950	(2.8%)	1,521	1,643	(7.9%)	195	77	153.2%	(340)	(226)
Operating profit (loss)	340	260	30.9%	89	114	(21.9%)	-	(6)	(100.0%)	-	6
Adjusted EBITDA	911	873	4.4%	494	485	1.9%	1	(6)	(116.7%)	(1)	6
Adjusted EBITDA as a percentage of total revenue	31.8%	29.6%	7.5%	32.5%	29.5%	10.1%	0.5%	(7.8%)	(106.4%)	0.3%	(2.7%)

	Cellular			Fixed-line			Electricity			Inter-segment adjustments	
	2024	2023	Change % in	2024	2023	Change % in	2024	2023	Change % in	2024	2023
Revenue from services	1,865	1,992	(6.4%)	1,339	1,349	(0.7%)	77	33	133.3%	(226)	(157)
Revenue from equipment	1,085	898	20.8%	304	283	7.4%	-	-	-	-	-
Total revenue	2,950	2,890	2.1%	1,643	1,632	0.7%	77	33	133.3%	(226)	(157)
Operating profit (loss)	260	221	17.6%	114	117	(2.6%)	(6)	(5)	20%	6	-
Adjusted EBITDA	873	833	4.8%	485	444	9.2%	(6)	(5)	20%	6	-
Adjusted EBITDA as a percentage of total revenue	29.6%	28.8%	2.8%	29.5%	27.2%	8.5%	(7.8%)	(15.2%)	(48.7%)	(2.7%)	-

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):

	For the year ended December 31,		
	2025	2024	2023
Profit for the period	564	173	134
Taxes on income	150	60	56
Financing expenses, net	102	125	140
Gain from sale of an equity accounted investee	(386)	-	-
Other expenses (income) that are not part of the Company's current activity	(4)	24	37
Depreciation and amortization	961	944	878
Losses (profit) from equity accounted investees	(1)	16	3
Share-based payment	19	16	24
Adjusted EBITDA	1,405	1,358	1,272

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

	For the year ended December 31,		
	2025	2024	2023
Net cash deriving from operating activities	1,213	1,195	1,173
Cash used for investment activities	(87)	(654)	(525)
Change in deposits (*)	(14)	-	(119)
Disposal of the investment in IBC	(520)	-	-
Cash used for leases (financing activities)	(244)	(255)	(258)
Effects of fluctuations in exchange rates on balances of cash and cash equivalents	2	(1)	1
Free cash flow	350	285	272

(*) 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 position for the year ended at 31, December 2023, 2024 and 2025 (in NIS millions):

Section	2025	2024	2023	explanation 'Board of directors
Balance of cash and cash equivalents as of the beginning of the period	371	473	773	
Cash flow deriving from current activities	1,213	1,195	1,173	
Cash flow used in investment activities	(87)	(654)	(525)	The decrease results from the disposal of the Company's holdings in investee company.
Cash flow used in financing activities	(1,023)	(642)	(949)	The increase reflects the dividend distributed in 2025 and changes in short-term credit in 2024.
Effect of exchange rate fluctuations on balances of cash and cash equivalents	2	(1)	1	
Balance of cash and cash equivalents as of the end of the period	476	371	473	

5.1. As of 31 December 2025, the Company has a negative working capital of NIS 319 million (consolidated) and a working capital deficit (solo) of NIS 625 million. Note that as of December 31 2025 the Group has frameworks for the provision of credit of NIS 600 million, which were not 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 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.

5.2. The Board of Directors has examined the Company's cash balances, the free cash flow expected for two years from the current report date, the credit frameworks mentioned above and their expected renewal, 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 December 31 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**

The Company mainly finances its activity through a cash flow from ongoing activity, securities offerings and loans from financial and/or institutional bodies. For further details on the Company's sources of financing, see Section 19 of Chapter A of this periodic report.

Details on outstanding obligatory notes and Company credit frameworks as of December 31 2025, have been attached as an appendix to this Board of Directors' Report.

- 6.1. Company's debentures in circulation - see Chapter C below.
- 6.2. Vendors' credit - see section 17.1 in Chapter A of this periodic report.
- 6.3. Customers' credit - see section 17.1 in Chapter A of this periodic report.

Chapter B – Aspects of Corporate Governance

7. The Company's involvement in the community and donations

The Company views donations and community assistance in Israel as a pillar of its business vision, and it believes that it has a social responsibility, and it recognizes that business leadership goes hand-in-hand with ethical-social leadership.

Accordingly, in 2025 the Company donated approximately NIS 303 and approximately 180 of the Company's employees participated in community volunteering.

Cellcom, as the IDF's communications supplier, which provides civilian cellular and internet services to the military, enlisted in full to provide our forces with a full and comprehensive 24/7 response and provide the troops with the most comprehensive and advanced solutions with challenging timetables: receiving at emergency depots, purchasing devices, building cellular sites in challenging areas and more. All of this out of a sense of duty and purpose and standing shoulder to shoulder alongside the IDF in the fight for our home.

8. Code of ethics

The Company adopted a code of ethics that was approved by the Company's board of directors, which anchors the basic values under which it acts. The code of ethics includes norms of behavior for the Company's officers, managers, employees and suppliers, which should be implemented alongside provisions of law and the Company procedures.

9. Directors with accounting and financial expertise

The minimum number of directors with accounting and financial expertise appropriate for the Company, as determined by the Company's board of directors under Section 92(a)(12) of the Companies Law, 5759-1999 (the "**Companies Law**"), is 2 directors, considering the nature of the accounting and accounting control matters that arise when preparing the Company's financial statements, the Company's areas of activity, its size and the scope and complexity of its activity. Currently, eight directors with accounting and financial experience are serving in the Company's board of directors, Yuval Cohen, Ori Zahavi, Hanan Gal Ezer, Shmuel Barashi, Richard Hunter, Ran Bokshpan, Shmuel Hauser, and Sami Baklash. For additional details with respect to these directors, Annex A in Chapter D to this Periodic Report.

10. Independent directors and external directors

As of the report date, the company's articles of association do not include any provision regarding the number of independent directors. As of the report date, two external directors serve the company: Professor Shmuel Hauser and Professor Varda Liberman, as well as one independent director, as this term is defined in the Companies Law, Mr. Ran Bokshpan; see Schedule I to Chapter IV of this periodic report.

11. Disclosure regarding on the Company's internal auditor

- 11.1. Details of the internal auditor: CPA Itzhak Ravid has been serving as the Company's internal auditor since March 14, 2017. Mr. Ravid has a BA in Accounting and Economics from Tel Aviv University, serves as managing partner in the accounting firm Raveh-Ravid & Co., and has more than 30 years of experience in the field of internal auditing.

To the best of the Company's knowledge, the internal auditor is in compliance with Section 146(b) of the Companies Law, and with the provisions of Sections 3(a) and 8 of the Internal Audit Law, 5752-1992 (the "**Internal Audit Law**").

The internal auditor is an external service provider for the Company on behalf of the offices of Raveh-Ravid & Co., where he serves as partner and co-owner. Apart from his role as the Company's internal auditor, Mr. Ravid serves as the internal auditor of Discount Investment Corporation Ltd. and Elron Ventures Ltd. To the best of the Company's knowledge, the internal auditor does not hold securities of the Company or of a company affiliated with it. To the best of the Company's knowledge, the internal auditor is not in a position that creates or may create a conflict of interest with his role.

- 11.2. Manner of appointment: The appointment of Mr. Itzhak Ravid was approved on March 14, 2017, at the Company's board of directors for a period of 3 years, after receiving the audit committee's approval. After an in-depth examination of his education and years-long experience, the board of directors found that Mr. Itzhak Ravid is suitable to serve as the Company's internal auditor, *inter alia* considering the type of company, its size, the scope of its activity, and its complexity. At the end of such term the appointment was extended For additional periods of one year each. On November 14 2023 the Board of Directors decided, after a hearing at the Audit Committee, to extend the service of the Internal Auditor and ratify his appointment to the Audit Committee once every five years.
- 11.3. Identity of the organizational supervisor over the internal auditor: According to the provisions of Article 60 to the Company's articles of association, the organizational supervisor over the internal auditor is Mr. Eli Adadi, the Company's CEO.
- 11.4. The working plan of the internal auditor: The working plan of the internal auditor is on an annual basis. The working plan is determined according to the nature of the Company's business activity and the probability of malfunctions and exposures in its business activity, based on a risk assessment survey that the internal auditor conducts every 5 years. The audit plan is prepared in collaboration with the senior management and audit committee, which approves the working plan. The Company's current audit plan for 2026 was approved by the audit committee in January 2026.
- 11.5. Auditing of the Company's material investee corporations: The internal auditor's audit plan includes reference to the Company's material investee corporations.
- 11.6. Scope of internal auditor's employment: In 2024 and 2025 the scope of the internal auditor's work was approximately 6,000 In each of the years. The scope of the work was determined by the audit committee, considering the Company's structure, its complexity and its nature. A deviation from the scope of hours is approved by the audit committee.

- 11.7. Preparation of the audit: The internal auditor and staff under him are required to perform the auditing work while adhering to criteria necessary for performing an audit that is professional, reliable, autonomous and independent of the audited entity.
- 11.8. Free access to the internal auditor: The internal auditor has free access as stated in Section 9 of the Internal Audit Law, including constant and unmediated access to the Company's information systems, including to financial data.
- 11.9. Accountability of the internal auditor: The audit reports are submitted in writing to the Company's CEO and to the members of the audit committee and are discussed in the Company's audit committee.

In 2025, the internal auditor submitted 10 audit reports to the, which are discussed at the audit committee once every quarter. In addition, each quarter the status of monitoring the implementation of recommendations that came up in internal audit reports is displayed.

- 11.10. The audit committee's evaluation of the internal auditor's activity: In the opinion of the audit committee, the scope, nature, and continuity of the internal auditor's activity and his working plan are reasonable under the circumstances, and they may achieve the goals of the internal audit.
- 11.11. Internal auditor compensation: The Internal Auditor is compensated based on his actual work hours. The Internal Auditor was paid a total of NIS 950,000 in 2025. The compensation of the internal auditor does not change and is not dependent on the auditing results, and therefore, in the opinion of the Company's board of directors, the internal auditor exercising his professional judgement is not affected by the manner in which he is compensated.

12. Disclosure regarding the Company's auditor

12.1. Identity of the auditor

Starting June 2023 the Company's auditing accountants are Kost, Forrer, Ernst and Young (EY), from 144a Menachem Begin Road, Tel Aviv, 6492102 ("the Auditing Accountants").

12.2. Fees of the Auditing CPA

Below is the data regarding the fee paid to the Auditing CPAs for the audit and tax services and for other services provided to Group companies¹⁰ (in NIS thousands):

Year	For auditing and tax services	For other services
	NIS millions	
2023	1.6	0.7
2024	1.5	0.5
2025	2.0	0.8

¹⁰ Until May 31 2023, Kesselman and Kesselman (PWC Israel) as the Company's auditing accountant.

Auditing rules include auditing the Company's Yearly Financial Statements and tax reports. Other services include professional services provided for the Company to meet the requirements of the tax authorities including original and revised tax refund auditing, tax planning and consulting, except in the matter of auditing. Accounting work over the course of the Company's regular business also includes consultation on the implications of implementing new accounting standards and other accounting issues that occur from time to time as well as special reports in which the approval of an auditing accountant is needed regarding compliance with various tenders the Group participates in.

The fee for the Company's Auditing CPA was determined in negotiations between the Auditing CPA and the Company's management, according to the estimated rate for providing the services, which is based on the number of hours invested by the Auditing CPA. The Auditing CPA's fees are approved by the Company's audit committee.

Chapter C - Disclosure with respect to Financial Reporting

13. Details in connection with debentures in circulation

- 13.1. Details in connection with liability certificates in circulation, as of December 31, 2025, are attached as an annex to the board of directors' report.
- 13.2. As of the Report Date, as determined by the Company's board of directors, there are no warning signs as such are defined in Regulation 10(b)(14) of the Report Regulations, and the Company is in compliance with all financial criteria and the additional terms and obligations set forth in the trust deeds to the liability certificates that it issued.

14. Material and highly material evaluations

The valuations refer to an examination of the impairment of the goodwill of the cellular segment and fixed line segment in the Company's December 31 2025 Yearly Financial Statements, meet the quantitative tests set in Securities Authority Position 105-23 on parameters for testing the materiality of valuations. At the same time, the Company estimates, in qualitative terms¹¹, as of the report date, that as these are valuations intended to test the impairment of the cash-generating units and under any other possible reasonable change in the key assumptions used to determine the units' recoverable value (the cellular segment and the fixed line segment), no highly material depreciation would have been recognized, as in lieu of the combination of the valuations, disclosure was given of the valuations as material valuations in accordance with Regulation 8.b.(i) of the Reports Regulations.

¹¹ In accordance with Q&A 3(5) of the Securities Authority clarification to Position 105-23 (and as updated from time to time, including on December 1 2022 and November 5 2023).

Evaluation for examining and evaluating goodwill in the Company's annual financial statements

Identifying the subject of evaluation:	The value of the cellular and fixed-line sectors' use for purpose of examining a devaluation in goodwill set forth in the consolidated annual financial statements as of December 31, 2024, according to International Accounting Standard 36.
Timing of the evaluation:	31-Dec-2025 Evaluation executed on March 17, 2026
The value of the evaluation's subject that was determined right before the evaluation date:	NIS 1,859 million bookkeeper's value of the fixed-line segment, goodwill of NIS 732 million. NIS 3,122 million bookkeeper's value of the cellular segment, goodwill of NIS 831 million.
The value of the evaluation's subject that was determined according to the evaluation:	NIS 2,507 million value of the fixed-line segment. NIS 4,240 million value of the cellular segment.
Details about the appraiser:	The evaluation was conducted by BDO Management and Consulting Ltd. which is part of the international BDO network. The work was conducted by a team led by CPA Moti Dattelkramer, a managing partner who has a BA in economics and computer science, with more than 10 years of experience in business consulting. The team specializes in evaluation work, allocation of PPA cost balances, due diligence, devaluation examinations, and more.
Is there an indemnification agreement with the appraiser?	The Company undertook to indemnify the appraiser in an amount exceeding three times his fees unless he acted negligently or maliciously. In such cases the indemnification shall not apply.
The evaluation model under which the appraiser acted:	Cash flow capitalization method.
The assumptions under which the appraiser made the evaluation, according to the evaluation model:	Capitalization rate after tax – 8.5% Growth rate – 1.5% for cellular sector and 1% for line-based segment. With respect to additional assumptions of the appraiser, see details in the work attached as an annex to this board of directors report.

March 17, 2026

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: (NIS million)

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	Payment dates of interest ⁽¹⁾	Terms of linkage	Convertible	Right to early redemption
Series J	September 25, 2016	103.267	20.653	24.579	0.295	24.855	24.813	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	142.127	142.127	2.474	144.476	144.067	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	January 24, 2018; December 10, 2018*; May 12, 2020*, December 1, 2020*, July 12, 2022	1,235.937	731.488	731.488	18.037	739.121	735.092	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	September 8, 2022; November 26, 2024	494.915	470.169	470.169	10.906	477.481	485.117	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		2,544.753	1,364.437	1,368.363	31.712	1,385.933	1,389.089						

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

(**) As of December 31, 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 December 31, 2025, the Company's net debt to adjusted EBITDA¹ ratio was 0.80 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 December 2019, the Company made an acquisition of debentures (Series L) of the Company in the amount of approximately NIS 10 million.
- (3) In May 2020, the Company issued debentures (Series L) with a par value of approximately NIS 222 million.
- (4) In December 2020, the Company issued debentures (Series L) with a par value of approximately NIS 400 million.
- (5) In July 2022, after the date of the financial statements, the company expanded the series L with par value of NIS 105 million.
- (6) In September 2022, the company issued debentures (Series M) in the amount of NIS 395 million par value.
- (7) In November 2024, the Company expanded debentures (Series M) by way of a private offering, at a notational value of 100 million NIS.
- (8) In July 2025, the Company's debentures (Series I) were fully redeemed upon final maturity.

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 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 J	Maalot	A+	AA-	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 updated the Company's rating outlook from ilA+ with a stable outlook to ilAA- with a stable outlook.
Series K	Maalot	A+	AA-	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+	AA-	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	AA-	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⁾	

(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 updated the Company's rating outlook from 'ilA+' with a stable outlook to 'ilAA-' with a stable outlook, and revised the short-term commercial paper rating from A-1 to A-1+.

4. Additional undertakings:

4.1. The Company's debentures (Series J 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. For Series J through Series K, a downgrade of two notches from the initial rating will entitle the bondholders to interest compensation of 0.25%, and each additional downgrade will grant an additional 0.25% interest compensation, up to a maximum total compensation of 1%. For Series L, a downgrade of two notches from the initial rating will entitle the bondholders to interest compensation of 0.5%, and each additional downgrade will grant an additional 0.25% interest compensation, up to a maximum total compensation of 1%. For Series M, a downgrade of one notch from the initial rating will entitle the bondholders to interest compensation of 0.25%, and each additional downgrade will grant an additional 0.25% interest compensation, up to a maximum total compensation of 1%.
- 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.

**Consolidated Financial
Statements**

As of December 31, 2025

Consolidated Financial Statements as of December 31, 2025

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

AUDITORS' REPORT

To the Shareholders of

CELLCOM ISRAEL LTD.

AUDITORS' REPORT

To the Shareholders of

CELLCOM ISRAEL LTD.

We have audited the accompanying consolidated statement of financial position of Cellcom Israel Ltd. ("the Company") as of December 31, 2025 and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the period ended December 31, 2025. and the notes to the financial statements, including material accounting policies.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2025, and the results of their operations, changes in equity and their cash flows for the year then ended, in conformity with IFRS Accounting Standards and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company, in accordance with the applicable legal provisions in Israel regarding independence and conflict of interest of auditors. Additionally, we have fulfilled our other ethical responsibilities in accordance with the Auditors' Law, 1955 and the regulations thereunder. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

Key audit matters

The key audit matters described below were those which were communicated to the Company's board of directors, or should have been communicated to them and which, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters include, among others, any matter: (1) relating to, or potentially relating to, significant accounts or disclosures in the financial statements or (2) involving our judgment that was especially challenging, subjective or complex. These matters were addressed as part of our audit of the consolidated financial statements as a whole and in forming our opinion thereon. In communicating these matters below, we do not change our opinion on the consolidated financial statements as a whole, nor do we provide through such communication a separate opinion on these matters or the accounts or disclosures they relate to.

Testing the impairment of goodwill

As described in Note 13 to the consolidated financial statements, the carrying amount of goodwill as of December 31, 2025 was NIS 1,563 million, accounting for 24% of the Group's total assets. The Company's management evaluates goodwill for impairment once a year, as of December 31, or more frequently if events or changes in circumstances indicate impairment. Evaluating the impairment of goodwill is determined by examining the recoverable amount of the cash-generating unit to which goodwill has been allocated. If the recoverable amount is less than the carrying amount an impairment loss is recognized and is first allocated to goodwill. Due to the significant judgments required by management and those charged with corporate governance and the complexity of the forecast estimates included in the underlying assessment of the periodic impairment, we identified this as a key audit matter.

The audit procedures performed in response to the key audit matter

The main procedures we performed in relation to this key matter in our audit are:

1. We reviewed the assumptions, methods and information used by the Group to determine the recoverable amount by comparing them to external information such as: inflation rates, discount rates and expected growth rates.
2. We examined the completeness and accuracy of the basic data used in the model and confirmed that the cash flow forecasts used to estimate the value are consistent with the information approved by management and the board of directors.
3. We conducted a sensitivity analysis to assess the sensitivity to changes in key variables and how changes in key variables would impact potential impairment.
4. We worked with an appraiser from the audit team to help us examine the study.
5. Assess and evaluate the competence, abilities and objectiveness of the Group's appraisers.
6. We have also tested the effectiveness of the Group's internal control in evaluating the impairment of goodwill and the appropriateness of the disclosures in the financial statements.

Estimation of the Useful Life of Communication Equipment and Fiber Routers (Property Plant and Equipment)

As described in Notes 2 and 12 to the consolidated financial statements, as of December 31, 2025, company's property, plant and equipment ("PPE") amounted to approximately NIS 1,537 million, and the related depreciation expense for the year then ended totaled approximately NIS 386 million. Management evaluates, at each reporting period, whether a change has occurred in the estimated useful lives of items of PPE. This assessment is driven primarily by technological developments, engineering analyses, accumulated operational experience, developments within the telecommunications industry, actual patterns of use, changes in regulatory requirements, and other relevant factors. Where required, changes in depreciation rates are accounted for as a change in accounting estimate on a prospective basis. During the reporting period, the company identified indicators necessitating a reassessment of the useful lives of certain PPE items categorized as communication equipment and fiber routers. For this purpose, management engaged an external expert to assess the remaining useful lives of the relevant assets. Based on the expert's analysis, the company recognized a change in the estimated remaining useful lives of these assets. Further information on the considerations underlying this determination and the financial statement impact of the change in estimate is provided in Note 2(d) to the consolidated financial statements.

We identified the change in the estimated useful lives of communication equipment and fiber routers—and the resulting adjustments- as a key audit matter. This is due to the inherent degree of subjectivity involved and the reliance on forward-looking assumptions in a setting characterized by uncertainty. Consequently, changes in management’s estimates and judgments may have a material impact on the determination of useful lives, and therefore on the company’s financial statements.

The audit procedures performed in response to the key audit matter

The main procedures we performed in relation to this key matter in our audit are:

1. We evaluated the circumstances that led management to reassess the estimated useful lives of the communication equipment and fiber routers.
2. We assessed the methodology applied by the company’s external expert in determining the remaining useful lives of the assets and evaluated the reasonableness of the key assumptions used.
3. We evaluated the appropriateness of the estimates, assumptions, judgments, and data used by management in determining the revised useful life estimates, as well as the methodology applied.
4. We assessed the professional competence, qualifications, and independence of the expert engaged by the company by conducting inquiries regarding the expert’s experience and relevant credentials.
5. We compared management’s revised estimates with industry norms in the local and international telecommunications sector, including disclosures of similar operators globally.
6. We tested the completeness and accuracy of the underlying data and information used in the estimation process.
7. We evaluated the adequacy and completeness of the financial statement disclosures relating to the change in estimate.

Responsibilities of Board of Directors and Management for the Financial Statements

The board of directors and management are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and with the provisions of the Securities Regulations (Annual Financial Statements), 2010, and for such internal control as the board of directors and management have determined to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of directors and management are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors and management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Israel will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit, in accordance with generally accepted auditing standards in Israel, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is appropriate and sufficient to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors and management.
- Conclude on the appropriateness of the use by the board of directors and management of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors and management, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the board of directors and management a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards applied to eliminate identified threats to independence.

From the matters communicated or required to be communicated to with the board of directors and management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter.



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We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting", the Company's components of internal control over financial reporting as of December 31, 2025 and our report dated March 17, 2026 expressed an unqualified opinion on the effective existence of those components.

The engagement partner responsible for the audit to which the independent auditor's report relates is Adi Rosenzweig.

Tel-Aviv, Israel
March 17, 2026

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

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

**Auditor's Report
to the Shareholders of
Cellcom Israel Ltd.**

**Regarding the Audit of Components of Internal Control over Financial Reporting
Pursuant to Section 9b(c) of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970**

We have audited the components of internal control over financial reporting of Cellcom Israel Ltd. and its subsidiaries (collectively, "the Company") as of December 31, 2025. Control components were determined as explained in the following paragraph. The Company's board of directors and management are responsible for maintaining effective internal control over financial reporting, and for their assessment of the effectiveness of the components of internal control over financial reporting included in the accompanying periodic report as of the above date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting based on our audit.

The components of internal control over financial reporting audited by us were determined in conformity with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting" ("Auditing Standard (Israel) 911"). These components consist of: (1) entity level controls, including financial reporting preparation and close process controls and information technology general controls ("ITGCs"); (2) controls over revenue; (3) controls over goodwill (collectively, "the audited control components").

We conducted our audit in accordance with Auditing Standard (Israel) 911. That Standard requires that we plan and perform the audit to identify the audited control components and obtain reasonable assurance about whether these control components have been effectively maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists regarding the audited control components and testing and evaluating the design and operating effectiveness of the audited control components based on the assessed risk. Our audit of these control components also included performing such other procedures as we considered necessary in the circumstances. Our audit only addressed the audited control components, as opposed to internal control over all the material processes in connection with financial reporting and therefore, our opinion addresses solely the audited control components. Moreover, our audit did not address any reciprocal effects between the audited control components and unaudited ones and accordingly, our opinion does not take into account any such possible effects. We believe that our audit provides a reasonable basis for our opinion within the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole, and specifically the components therein, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company effectively maintained, in all material respects, the audited control components as of December 31, 2025.

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2025, and for the year then ended and our report dated March 17, 2026 expressed an unqualified opinion thereon.

Tel-Aviv, Israel
March 17, 2026

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

Consolidated Statements of Financial Position

	Note	December 31	
		2025	2024
		NIS millions	
Current assets			
Cash and cash equivalents	9	476	371
Current deposits		11	25
Trade receivables	10	838	883
Current tax assets	29	1	6
Other receivables, includes derivatives	10	82	33
Deferred expenses - rights of use	30C	104	90
Inventory	11	104	150
		<u>1,616</u>	<u>1,558</u>
Non-current assets			
Trade and other receivables	10	208	202
Deferred expenses - rights of use	30C	383	364
Property, plant and equipment, net	12	1,537	1,578
Intangible assets and others, net	13	2,084	2,108
Investments in equity accounted investees	8	-	114
Right of use assets, net	14	620	576
Deferred tax assets	29	3	4
		<u>4,835</u>	<u>4,946</u>
		<u>6,451</u>	<u>6,504</u>
Current liabilities			
Current maturities of debentures	18	412	497
Short term credit	18	200	200
Current taxation liabilities	29	63	4
Current maturities of lease liabilities	14	181	185
Trade payables and accrued expenses	15	713	808
Provisions	16	90	93
Other payables, including derivatives	17	276	296
		<u>1,935</u>	<u>2,083</u>
Non-current liabilities			
Debentures	18	942	1,348
Long-term lease liabilities	14	474	430
Provisions	16	28	25
Other long-term liabilities		11	4
Excess losses over the investment in an equity-accounted investee	8	9	-
Liability for employee rights upon retirement, net	19	14	13
Deferred tax liabilities	29	203	149
		<u>1,681</u>	<u>1,969</u>
		<u>3,616</u>	<u>4,052</u>
Equity			
Total equity	20	<u>2,835</u>	<u>2,452</u>
		<u>6,451</u>	<u>6,504</u>

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

March 17, 2026

Date of approving the
financial statements

Yuval Cohen
Chairman of the board

Eli Adadi
CEO

Gadi Attias
CFO

Consolidated Statements of Profit or Loss

	Note	For year ended December 31,		
		2025	2024	2023
		NIS millions		
Revenues from sales and services	23	4,244	4,444	4,398
Cost of sales and services	24	(2,793)	(3,034)	(3,062)
Gross profit		1,451	1,410	1,336
Selling and marketing expenses	25	(763)	(742)	(716)
General and administrative expenses	26	(292)	(294)	(285)
Credit profit (loss)		(11)	(6)	2
Other income (expenses), net	27	44	6	(4)
Operating profit		429	374	333
Financing income		24	18	25
Financing expenses		(126)	(143)	(165)
Financing expenses, net	28	(102)	(125)	(140)
Gain from disposal of an equity accounted investee		386	-	-
Share in losses of equity accounted investees		1	(16)	(3)
Profit before taxes on income		714	233	190
Taxes on income	29	(150)	(60)	(56)
Net profit		564	173	134
Profit per share				
Basic profit per share (in NIS)	20	3.35	1.04	0.81
Diluted profit per share (in NIS)		3.31	1.04	0.81
Weighted-average number of shares used in the calculation of basic profit per share (in shares)		168,195,526	165,696,022	164,928,168
Weighted-average number of shares used in the calculation of diluted profit per share (in shares)		170,460,486	166,270,069	165,752,011

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

Consolidated Statements of Comprehensive Income

	For year ended December 31		
	2025	2024	2023
	NIS millions		
Net profit	564	173	134
Other comprehensive income items that will not be transferred to profit or loss			
Re-measurement of defined benefit plan, net of tax	-	-	1
Total other comprehensive profit, net of tax	-	-	1
Total comprehensive profit	564	173	135

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

Consolidated Statements of Changes in Equity

	Equity attributed to the Company's shareholders			
	Share capital	Share premium	Retained earnings	Total equity
	NIS millions			
Balance as of January 1, 2023	2	792	1,310	2,104
Net profit	-	-	134	134
Other comprehensive profit, net of tax	-	-	1	1
Share based payments	-	-	24	24
Balance as of December 31, 2023	2	792	1,469	2,263
Comprehensive profit	-	-	173	173
Share based payments	-	-	16	16
Balance as of December 31, 2024	2	792	1,658	2,452
Comprehensive profit	-	-	564	564
Share based payments	-	-	19	19
Dividend to the Company's shareholders	-	-	(200)	(200)
Balance as of December 31, 2025	2	792	2,041	2,835

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

Consolidated Statements of Cash Flows

	For year ended December 31		
	2025	2024	2023
	NIS millions		
Cash flows from operating activities:			
Net profit	564	173	134
Adjustments for:			
Depreciation and amortization	961	944	878
Share-based payments	19	16	24
Loss on sale of property, plant and equipment	2	-	-
Taxes on income	150	60	56
Financing expenses, net	102	125	140
Other income	(5)	(6)	-
Share in losses of equity accounted investees	(1)	16	3
Gain from disposal of an equity accounted investee	(386)	-	-
Changes in operating assets and liabilities:			
Change in inventory	46	(36)	3
Change in trade receivables (including long-term amounts)	38	29	(29)
Change in deferred expenses - right of use	(149)	(104)	(83)
Change in other receivables (including long-term receivables)	(34)	(8)	(12)
Change in trade payables, accrued expenses and provisions	(38)	23	50
Change in other liabilities (including long-term amounts)	(25)	(13)	9
Receipts (payments) for derivative hedging contracts, net	(2)	(4)	14
Income tax paid	(29)	(20)	(14)
Net cash from operating activities	1,213	1,195	1,173
Cash flows used in investing activities			
Acquisition of property, plant and equipment	(406)	(451)	(427)
Acquisition of intangible assets and others	(224)	(214)	(236)
Change in current deposits	-	-	(1)
Withdrawal of deposits	14	-	120
Proceeds from disposal of property, plant and equipment and other assets	1	-	-
Interest received	8	11	19
Proceeds from disposal of an accounted investee	520	-	-
Net cash used in investing activities	(87)	(654)	(525)

The accompanying notes are an integral part of these consolidated financial statement

Consolidated Statements of Cash Flows (cont'd)

	For year ended December 31		
	2025	2024	2023
	NIS millions		
Cash flows used in financing activities			
Receipts for derivative contracts, net	1	-	2
Change in short term credit	-	200	-
Payment of debentures	(503)	(609)	(604)
Proceeds from issuance of debentures, net of issuance costs	-	99	-
Interest paid for debentures and Short term credit	(77)	(77)	(89)
Interest paid for leases	(32)	(31)	(29)
Dividend paid	(200)	-	-
Payment of principal of lease liabilities	(212)	(224)	(229)
Net cash used in financing activities	(1,023)	(642)	(949)
Changes in cash and cash equivalents	103	(101)	(301)
Cash and cash equivalents for the beginning of the year	371	473	773
Effects of exchange rate changes on cash and cash equivalents	2	(1)	1
Cash and cash equivalents for the end of the year	476	371	473

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

Notes to the Consolidated 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 consolidated financial statements of the Group as of December 31, 2025, comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's holdings in included entities. In October 2025, the transaction for the sale of the Company's holdings in IBC, which had been accounted for using the equity method, was completed. For additional information regarding the transaction, see Note 30 f. the Company is controlled by 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 security situation in Israel

The Iron Swords War broke out in October 2023 (hereinafter: "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.

In June 2025, Operation "Am KeLavi" against Iran led to a partial shutdown of the economy and a two-week closure of Israeli airspace. This negatively impacted revenues from roaming services related to inbound and outbound tourism, as well as sales of end-user equipment within the Group.

According to the Company's estimates, the total adverse effect on profit before tax for 2025 amounted to approximately NIS 10 million, with most of the impact occurring in the second quarter of 2025, primarily due to the intensified conflict with Iran and its effect on airline flight availability.

On February 28, 2026, a joint operation named 'Lion's Roar' was launched by the State of Israel and the United States against government targets in Iran. As of the date of publication of these financial statements, the Company is unable to assess the scope of the potential impacts of this event on its operation and results.

The Company has reviewed its funding sources and liquidity, as well as its access to future credit facilities, and estimates that it has sufficient financial strength to cope with the implications of the conflict, among other factors due to the diversification of its business activities and the level of its liquid balances. It should be noted that this may be an ongoing crisis event outside the Company's control, characterized by uncertainty. As of the date of approval of the financial statements, there is no certainty regarding the future extent of the impact on the Company or on the Israeli economy as a whole. Such broad macroeconomic effects may adversely affect the Company's business and operating results.

Notes to the Consolidated Financial Statements

Note 2 - Basis of Preparation of the Financial Statements

A. Statement of compliance

The consolidated financial statements have been prepared by the Group in accordance with International Financial Reporting Standards (IFRSs).

The consolidated financial statements have also been prepared with the provisions of the Securities Regulations (Annual Financial Statements), 2010.

These consolidated financial statements were approved by the Company's Board of Directors on March 17, 2026.

B. Functional and presentation currency

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

C. Basis of measurement

These consolidated financial statements have been prepared on the basis of historical cost except for the following assets and liabilities: current investments and derivative financial instruments that are measured at fair value through profit or loss, investment property that are measured at fair value, deferred tax assets and liabilities, provisions, assets and liabilities in respect of employee benefits and Investments in associates.

For further information regarding the measurement of these assets and liabilities see Note 3, regarding Significant Accounting Policies.

D. Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The preparation of accounting estimates used in the preparation of the Group's financial statements requires that management of the Company makes assumptions regarding circumstances and events that involve considerable uncertainty. Company Management prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about estimates, uncertainty and critical judgments about provisions and contingent liabilities, is described in Notes 16 and 31. In addition, information about critical estimates, made while applying accounting policies and that have the significant effect on the consolidated financial statements are described below

Notes to the Consolidated Financial Statements

Note 2 - Basis of Preparation of the Financial Statements (cont'd)**D. Use of estimates and judgments (cont'd)***Impairment testing of trade and other receivables*

The financial statements include an impairment loss in trade and other receivables which properly reflect, according to management's estimation, the potential loss from non-recoverable amounts. The Group provides for impairment loss based on its experience in collecting past debts, as well as on information on specific debtors. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. See also Note 22.

Impairment testing of goodwill

The Group reviews a cash generating unit containing goodwill for the purpose of testing it for impairment at least once a year. Determining the recoverable amount requires management to make an estimate of the projected future cash flows from the continuing use of the cash-generating unit and also to choose a suitable discount rate for those cash flows which represents market estimates as for the time value of the money and the specific risks that are related to the cash-generating unit. Determining the estimates of the future cash flows is based on management past experience and management best estimates as for the economic conditions that will exist over the rest of the remaining useful life of the cash generating unit.

Legal claims

In estimating the likelihood of outcome of legal claims filed against the Company and its investees, the Group takes into consideration the opinion of its legal counsels and their best professional judgment, the stage of proceedings and historical legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates. See also Note 31.

Uncertain tax positions

When assessing amounts of current and deferred taxes, the Group takes into consideration the effect of the uncertainty that its tax positions will be accepted and the risk of it incurring any additional tax and interest and linkage expenses.

The Group is of the opinion that the cumulative tax liability is fair for all the years in respect of which final tax assessments have not yet been received, based on an analysis of a number of matters including interpretations of tax laws and the Group's past experience. This assessment is based on estimates and assumptions that may also include assessments and exercising judgment regarding future events. It is possible that new information will become known in future periods that will require the Group to change its estimate regarding the tax liability that was recognized, and any such changes will be expensed immediately in that period. See also Note 29.

Notes to the Consolidated Financial Statements

Note 2 - Basis of Preparation of the Financial Statements (cont'd)

D. Use of estimates and judgments (cont'd)

Impairment Review and Useful Lives of Assets

The Company reviews the estimated useful lives of its property, plant and equipment on an annual basis, as well as upon the receipt of new and significant information. In the fourth quarter of 2025, following a regulatory decision regarding the shutdown of 2G and 3G networks and the Company's assessments in anticipation of the final decision of the Ministry of Communications (shutdown of 2G and voluntary shutdown of 3G in accordance with the operators' decision), the Company reassessed the expected remaining useful lives of its 4G and 5G cellular equipment ("the Communications Equipment"), which currently serves as the basis of the Company's cellular engineering network.

Until the date of the reassessment, the Company depreciated the aforementioned items of property, plant and equipment over a period of approximately 7–12 years. For the purpose of this assessment, the Company evaluated the expected useful lives of these networks, inter alia, based on accumulated experience regarding the lifespan of previous generations, as well as estimates concerning the timing of the introduction of the next generation (6G) until the full replacement of the existing generations.

The assessment was performed with the assistance of an independent external expert and was also based on publicly available information regarding the useful lives of similar communications equipment used by other operators worldwide. Based on management's estimates and assessments, including reliance on the expert opinion described above, the remaining useful lives of the Communications Equipment were revised to approximately 10 years as of that date. Accordingly, a change in estimate was implemented prospectively, effective from the beginning of October 2025.

In addition, the Company reviewed the estimated useful lives of fiber routers ("the Routers")—equipment used by customers for fixed-line internet access, supporting internet speeds of up to and including 2.5 Gbps. Based on the Company's review, the replacement rate of the fiber routers is slower than initially estimated, based on the Company's accumulated experience following the widespread adoption of fiber routers as a result of the extensive fiber deployment in Israel. Based on reviews conducted by the Company, relying on publicly available information regarding the useful lives of such equipment used by other operators worldwide, as well as the results of the wholesale market consultation, usage of internet speeds exceeding 2.5Gbps is currently not prevalent in Israel. According to management's assessment, the use of fixed-line internet speeds exceeding 2.5 Gbps is expected to expand no earlier than five years from the date of the assessment. The impact of these changes on the Company's annual financial statements for the current year and subsequent years is as follows:

	For the period ended December 31				
	<u>Q4/2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029 and thereafter</u>
	<u>NIS millions</u>				
Radio and Switching					
Decrease (Increase) in Depreciation Expenses	<u>8</u>	<u>31</u>	<u>25</u>	<u>20</u>	<u>(84)</u>

Notes to the Consolidated Financial Statements

Note 2 - Basis of Preparation of the Financial Statements (cont'd)

D. Use of estimates and judgments (cont'd)

	<u>Q4/2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029 and thereafter</u>
	<u>NIS millions</u>				
Routers					
Decrease (Increase) in Depreciation Expenses	<u>4</u>	<u>8</u>	<u>6</u>	<u>(1)</u>	<u>(17)</u>

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

	<u>Exchange rates of US\$</u>	<u>Consumer Price Index (points)*</u>
As of December 31, 2025	3.190	263.42
As of December 31, 2024	3.647	257.35
As of December 31, 2023	3.627	248.82
Change during the year:		
Year ended December 31, 2025	(12.53%)	2.36%
Year ended December 31, 2024	0.55%	3.43%
Year ended December 31, 2023	3.07%	3.35%

*According to 1993 base index.

Note 3 - Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Group for all periods presented in these consolidated financial statements.

A. Financial instruments

1. Non- derivative financial assets

Classification of financial assets into categories and the accounting treatment of each category

Financial assets are classified at initial recognition to one of the following measurement categories: amortized cost or fair value through profit and loss.

The Group has balances of trade other receivables and deposits. The contractual cash flows of these financial assets represent solely payments of principal and interest that reflect consideration for the time value of money and the credit risk. Accordingly, these financial assets are measured at amortized cost.

Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (cont'd)**A. Financial instruments (cont'd)****2. Non-derivative financial liabilities**

Non-derivative financial liabilities include loans and borrowings from banks and others, marketable debt instruments, finance lease liabilities, and trade and other payables.

Initial recognition of financial liabilities

The Group initially recognizes debt securities issued on the date that they originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Offset of financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legal right to offset the amounts and intends either to settle the financial asset and financial liability on a net basis or to realize the asset and settle the liability simultaneously.

B. Fixed asset

Fixed asset items are presented at cost less accumulated depreciation and accumulated impairment losses to the extent there were any.

1. Recognition and measurement

The cost of fixed assets includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located (when the Group has an obligation to dismantle and remove the asset or to restore the site), and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Communications networks consist of several significant components with different useful lives. Each component is treated separately and is depreciated over its estimated useful life.

Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (cont'd)

B. Fixed asset (cont'd)

2. Depreciation

An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management.

Depreciation is recognized in profit and loss on a straight-line basis over the estimated useful lives of each part of the fixed asset item.

The annual depreciation rates for the current and comparative periods are as follows:

	%
Communications network	5-25
Fixed network equipment and infrastructure	15-33
Vehicles, Computers, Furniture and Office equipment	6-33

The economic life of the group's assets is determined by the company's management at the time the assets are purchased. For more details, see note 2D.

Leasehold improvements are depreciated over the shorter of their estimated useful lives or the expected lease terms.

C. Rights of use of communications lines and right of use of fiber-optic infrastructure

Acquisition transactions of irrevocable rights of use of underwater cables capacity and right of use of fiber-optic infrastructure are treated as service receipt transactions. The amount which was paid for the rights of use of communications lines and right of use of fiber-optic infrastructure are recognized as a prepaid expense and is amortized on a straight-line basis over the period stated in the agreements, including the option period, which constitutes the estimated useful life of those capacities.

Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (cont'd)**D. Intangible assets and others****1. Program development**

The company develops software or upgrades existing software systems which are used by it for the benefit of its business and internal organizational activities. Development expenditure is capitalized to intangible assets only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group has the intention and sufficient financing resources to complete development and to use or sell the asset. Direct development costs associated with internally developed information system software, and payroll costs for employees devoting time to the software projects, incurred during the application development stage, are capitalized and recognized as an intangible asset. Development costs previously recognized as an expense are not recognized as an asset in subsequent periods. Development costs that were capitalized are depreciated from the point in time when the asset is available for use, i.e., when it is the location and condition necessary in order to operate as intended by management, over its useful life.

Development costs not yet available for use are examined once per year in order to identify impairment, according to IFRS 36 "Impairment of Assets".

2. Other intangible assets

Customer and brand relationships that are formed upon the acquisition of subsidiaries have a finite useful life and are amortized according to the expected benefits rate from these assets in each period.

Other intangible assets and others - licenses and frequencies, software and information systems costs are measured at cost less accumulated amortization and accumulated impairment losses and including direct costs necessary to prepare the asset for its intended use.

3. Depreciation

Amortization is recognized in profit and loss on a straight-line basis, over the estimated useful lives of the intangible assets from the date they are available for use, since such method most closely reflect the expected pattern of consumption of the future economic benefits embodied in each asset.

Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (cont'd)

D. Intangible assets and others (cont'd)

The annual amortization rates for the current and comparative periods are as follows:

Frequencies Licenses	<u>4-7</u> (mainly 4)
Software and computer licenses	15-25
Customer acquisition costs	20-33
Customer relationship and brand	10-16

Depreciation methods, useful lives and residual values are reviewed at least each year-end and adjusted if appropriate.

The economic life of the group's assets is determined by the company's management at the time the assets are purchased. For more details, see note 2D.

E. Impairment

Non-derivative financial assets

Financial assets and contract assets

The Group measures the provision for expected credit losses in respect of trade receivables and contract assets at an amount equal to the full lifetime credit losses of the instrument.

Lifetime expected credit losses are expected credit losses that result from all possible default events over the expected life of the financial asset. The maximum period considered when assessing expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (cont'd)**E. Impairment (cont'd)***Write-off*

The gross book value of a financial asset is deleted in full or in part when:

- a. There are no reasonable expectations of recovery. In general, when the Group determines that the debtor has no assets or sources of income that generate sufficient cash flows in order to pay the sums subject to deletion.
- b. The Company transfers in a material sense all of the risks and benefits deriving from the contractual rights to receive cash flows from the financial asset or when some of the risks and benefits when transferring the financial asset remain in the Company's hands but one may say that it has transferred control of the asset.

Factoring transactions are treated as subtractions from the customers balance when the above conditions apply.

F. Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date.

The Group recognizes a reimbursement asset if, and only if, it is virtually certain that the reimbursement will be received if the Company settles the obligation. The amount recognized in respect of the reimbursement does not exceed the amount of the provision.

A provision for claims is recognized if, as a result of a past event, the Company has a present legal or constructive obligation and it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the amount of obligation can be estimated reliably.

A provision for liquidation costs, site evacuation and restoral was created for those agreements in which the Group undertook to restore the rented asset at the end of the retail period to its previous state, after disassembling and vacating the site as well as restoring the site as needed. For further details see Note 16.

G. Recognition of revenue

The Group recognizes revenue when the customer obtains control over the promised goods or services. The revenue is measured according to the amount of the consideration to which the Group expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties.

Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (cont'd)

G. Recognition of revenue (cont'd)

Revenues derived from services, including cellular services, internet services, international calls services, fixed local calls, interconnect, roaming revenues, content and value-added services, transmission services and television over the internet services, are recognized when the services are provided, in proportion to the stage of completion of the transaction and all other revenue recognition criteria are met.

Usually, the sale of equipment to the customer is executed with no contractual obligation of the client to consume services in a minimal amount for a predefined period. As a result, the Group refers to the sale transaction as a separate transaction and recognizes revenue from sale of equipment upon delivery of the equipment to the customer. Revenue from services is recognized and recorded when the services are provided.

Determining the transaction price

The transaction price is the amount of the consideration to which the Group expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties. The Group considers the effects of determining the transaction price and the existence of a significant financing component.

Variable consideration

The transaction price includes fixed amounts and amounts that may change as a result of discounts, refunds, credits, price concessions, incentives, penalties, claims and disputes and contract modifications that the consideration in their respect has not yet been agreed by the parties.

The Group includes variable consideration, or part of it, in the transaction price only when it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved. At the end of each reporting period and if necessary, the Group revises the amount of the variable consideration included in the transaction price.

Allocating the transaction price to performance obligations

In a multiple performance obligations transaction, the transaction price is allocated between the components of the transaction according to the ratio of their stand-alone selling prices.

Existence of a significant financing component

The company has long-term credit transactions for the sale of cellular equipment. In order to measure these transactions, the Group adjusts the amount of the promised consideration in respect of the effects of the time on the value of money if the timing of the payments agreed between the parties provides to the customer or the Group a significant financing benefit.

When the contract contains a significant financing component, the Group recognizes the amount of the consideration using the discount rate that would be reflected in a separate financing transaction between it and the customer on the contract's inception date. The financing component is recognized as other income over the period, which is calculated according to the effective interest method.

Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (cont'd)**G. Recognition of revenue (cont'd)**

Revenues from long-term credit arrangements (more than 12 monthly payments) are recognized on the basis of the present value of future cash flows, discounted according to market interest rates at the time of the transaction. The difference between the original credit and its present value is recorded as other income (instead of interest income) over the credit period.

In cases where the difference between the time of receiving payment and the time of transferring the goods or services to the customer is one year or less, the Group applies the practical exemption included in the standard and does not separate a significant financing component.

Principal vendor or agent

When the Group is a principal vendor it recognizes revenue in the gross amount of the consideration. If the Company is obligated to provide goods or services by a third party then the Group is an agent and therefore recognizes revenue in the amount of the net commission.

The Group is a principal vendor when it controls the promised goods or services before their transfer to the customer. Indicators that the Group controls the goods or services before their transfer to the customer include, inter alia, as follows: The Group is the primary obligor for fulfilling the promises in the contract; the Group has inventory risk before the goods or services are transferred to the customer; and the Group has discretion in setting the prices of the goods or services.

Contract Acquisition Costs

For obtaining some of the company's contracts with its customers, it incurs additional costs to acquire the contract (e.g., sales commissions contingent upon the execution of a binding sales transaction). Costs that were incurred to obtain the contract with the customer and would not have been incurred if the contract had not been obtained, and which the company expects to recover, are recognized as an asset and amortized on a systematic basis consistent with the provision of services under the specific contract. The company recognizes an impairment loss on the contract acquisition cost asset in profit or loss when the carrying amount of the asset exceeds the difference between the remaining consideration the company expects to receive for the goods or services to which the asset relates and the costs associated with providing the goods or services that have not yet been recognized as expenses.

Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (cont'd)**G. Recognition of revenue (cont'd)****Revenues from Construction and Installation Services**

Upon entering into a contract with a customer, the Company identifies the construction work as a performance obligation. As the Company's performance creates or enhances an asset that is controlled by the customer as the asset is created or enhanced, the Company recognizes revenue over time.

The Company applies a cost-based input method to measure progress toward completion of the performance obligation when revenue is recognized over time. Management believes that the input method, under which revenue is recognized based on the costs incurred to fulfill the performance obligation, best reflects the Company's performance in transferring control of the services to the customer.

To apply the input method, the Company estimates the total costs required to complete the contract in order to determine the amount of revenue to be recognized. These estimates include direct costs as well as indirect costs that relate directly to fulfilling the contract and are allocated to each contract using a reasonable allocation basis.

In addition, the Company excludes from the "percentage of completion" calculation any costs that do not depict the Company's performance in transferring the services to the customer, such as costs relating to elevators, engines, and related items.

H. Lease payments**1. Determining whether an arrangement contains a lease**

For cell and switches sites lease contracts that contain non-lease components, such as services or maintenance, which are related to a lease component, the Group elected to account for the contract as a single lease component without separating the components.

For office buildings, warehouses, service centers, retail stores and motor vehicles lease contracts that contain non-lease components, such as services or maintenance, which are related to a lease component, the Group elected to separate the components and account the lease component separately.

2. The lease terms

The lease term is the non-cancellable period of the lease plus periods covered by an extension or termination option if it is reasonably certain that the lessee will or will not exercise the option, respectively. According to past experience the Company estimated that the options for extending the contracts shall be exercised.

The group reassesses the lease period upon the occurrence of a significant event or a significant change in circumstances that is within the group's control and which affects the decision as to whether it is reasonably certain that the group will or will not exercise an option that was not previously included when determining the lease period.

Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (cont'd)

H. Lease payments (cont'd)

3. Depreciation of right-of-use asset

After lease commencement, a right-of-use asset is measured on a cost basis less accumulated depreciation and accumulated impairment losses and is adjusted for re-measurements of the lease liability. Depreciation is calculated on a straight-line basis over the useful life or contractual lease period, whichever earlier, as follows:

- | | |
|--|------------|
| 1. Cell and switches sites | 5-15 years |
| 2. Office buildings, warehouses, service centers and retail stores | 4-10 years |
| 3. Motor vehicles | 2-3 years |

I. Supplier Financing Arrangements

Financial liabilities arising from supplier financing arrangements that have a similar nature and characteristics as regular supplier liabilities are classified in the financial statements under "Liabilities to suppliers and other service providers."

Supplier financing arrangements have a similar nature and characteristics as regular supplier liabilities when the supplier financing arrangement is part of the working capital used by the company in its regular operating cycle, the level of security provided under these arrangements is similar to that provided in supplier liabilities, and the terms of the liabilities included in the arrangement are not materially different from the terms of liabilities to suppliers that are not part of the arrangement.

Additionally, cash flows related to liabilities arising from the aforementioned supplier financing arrangements are classified under operating activities in the statement of cash flows.

J. Investment in equity accounted investee according to the equity method

Gains and losses resulting from upstream or downstream transactions with an accounted investee or a joint venture are recognized in the company's financial statements only to the extent of the unrelated investors in the accounted investee or joint venture. The company's share in the gains or losses of the accounted investee or joint venture from these transactions is eliminated

Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (cont'd)

K. Disclosure for New IFRS Standards in the Period Prior to their Application

1. Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

In May 2024, the International Accounting Standards Board (ISAB) published amendments to International Financial Reporting Standard 9, Financial Instruments (hereinafter: "IFRS 9") and to International Financial Reporting Standard 7, Financial Instruments: Disclosures (hereinafter: "IFRS 7"), which revise certain aspects of the classification and measurement of financial instruments.

The Amendments refer to the following subjects:

- (a) **Subtraction of financial liability cleared via electronic payment system** – an entity may subtract a financial liability or portion thereof) cleared in cash using an electronic payment system, before the clearance date, given defined conditions. This option constitutes an economic policy and an entity that chooses to implement this policy is required to implement it on all of its liabilities cleared with the same electronic payment system.
- (b) **Assessment of the characteristics of contractual cash flow for the purpose of the classification of financial assets** – the Amendments clarify how to assess the characteristics of the contractual cash flows of financial assets that include characteristics connected to the environment, society and government (ESG) and other similar conditional characteristics. In addition, the Amendments expand the term non-recourse and also define the characteristics of contractually linked instruments (CLIs).
- (c) **Disclosures** – new disclosures were added to IFRS 7 for financial assets and liabilities with contractual conditions referring to conditional events (including those connected to ESG), and contractual instruments measured at fair value through other comprehensive income (FVTOCI).

The amendments to the standards were applied retroactively starting from yearly reporting periods starting January 1, 2026 or subsequently. Early adoption is possible, subject to disclosure. In addition, an entity may only perform early implementation of the amendments connected to the classification of financial assets and disclosures connected to them while providing disclosure. An entity shall not present comparative information, but it may do so only if it can be done without the use of hindsight.

The above amendment is not expected to have a material impact on the Company's consolidated financial statements.

Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (cont'd)**K. Disclosure for New IFRS Standards in the Period Prior to their Application (cont'd)****2. IFRS 18, Presentation and Disclosure in Financial Statements**

In April 2024, the International Accounting Standards Board (IASB) published International Financial Reporting Standard 18 (IFRS 18), Presentation and Disclosure in the Financial Statements (hereinafter: “the New Standard”), replacing International Accounting Standard 1 Presentation of Financial Statements (“IAS 1”).

The purpose of the New Standard is to improve comparative abilities and transparency in the Financial Statements.

The New Standard shall include existing IAS 1 requirements and new requirements to be presented in the Statement of Operations including presenting sums and secondary sums needed in accordance with the New Standard, providing disclosure on management-defined performance measures and new requirements for collecting and splitting financial information.

The New Standard does not alter the recognition and measurement directives of items in the Financial Statements. At the same time, as items in the Statement of Operations need to be classified into one of five categories (operational activity, investment activity, financing activity, taxes on income and discontinued activity), it may alter the entity’s operating profit. In addition, publication of the New Standard has led to limited amendments to additional accounting standards, including IAS 7, Cash Flow Report and IAS 34, Interim Financial Reporting.

The New Standard shall be applied retroactively starting from the yearly periods starting January 1 2027 or subsequently.

The Company is studying the impact of the New Standard, including the impact of the amendments to additional accounting standards as of a result of the New Standard, on the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Note 4 - Fair Value

A. Determination of Fair Value

A number of the Group's accounting policies and disclosures require the determination of fair value, of certain assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the appropriate interest rate at the reporting date.

Current investments and derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using market interest rates appropriate for similar instruments, including the adjustment required for the parties' credit risks.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

B. Fair Value Hierarchy

When determining the fair value of an asset or liability, the Group uses observable market data as much as possible. There are three levels of fair value measurements in the fair value hierarchy that are based on the data used in the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3: inputs that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements

Note 5 - Financial Risk Management

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework. The Board has established a sub-committee for financial exposures management, which is responsible for supervising and monitoring the Group's financial exposures management policies. The sub-committee recommends to the Board of Directors changes in the Group's financial exposures management policy.

The Group's risk management policies are established to identify and analyze and manage the financial risks faced by the Group, and to monitor risks and adherence on policy. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Financial Disclosures Committee oversees how management monitors compliance with the Group's financial risk management policies and procedures and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group. See also Note 22, regarding Financial Instruments.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group's credit risk arises principally from the Group's receivables from customers. The carrying amounts of financial assets and contract assets represent the Group's maximum credit risk exposure.

Trade receivables, other receivables and contract assets

The Group conducts credit risk evaluations on receivables and adjusts the amount of credit allowed and requires financial guarantees against them, according to the risk level of each customer. Management monitors outstanding receivable balances and credits appropriate allowances for irrecoverable amounts included in the financial statements which adequately reflect the loss embodied in irrecoverable debts. The Group is exposed to credit risk arising mainly from its operation in Israel.

Derivatives

The counterparties of the derivatives held by the Group are major banks in Israel.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivatives, in the consolidated statement of financial position. Financial instruments that could potentially subject the Group to credit risks consist primarily of trade receivables. Credit risk with respect to these receivables is limited due to the composition of the subscriber base, which includes a large number of individuals and businesses.

The Company examines the customer's credit risk before sale using various parameters regarding the customer's financial condition, credit scoring, purchase amount and the customer's segment. Customer ratings are determined while using quantitative and qualitative data that can predict the risk of default

Notes to the Consolidated Financial Statements

Note 5 - Financial Risk Management (cont'd)

Credit risk (cont'd)

Assessment of expected credit losses for corporate customers

The Group records credit losses provision on existing balances based on past statistics that project the loss from credit risk and anticipated collection and exercises discretion based on past experience.

The Group uses data matrixes based among others on aging of customer debts in order to measure the projected credit losses that are comprised of a large number of small debt accounts.

Calculating the default rate is based on weighing the likelihood of a debtor for default in the range from full collection to write off.

Liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and extreme conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The cash surpluses held by Group that are not required for financing their current activity were invested in interest-bearing investment channels such as short-term deposits. These investment channels are chosen based on future forecasts of the cash Group will require in order to meet its liabilities.

The Group examines current forecasts of its liquidity requirements so as to make certain that there is sufficient cash for its operating needs. These forecasts take into consideration matters such as the Group's plan to use debt for financing its activity, compliance with required financial covenants, and compliance with external requirements such as laws or regulations.

The Group has contractual commitments to purchase inventories and fixed assets, to incur capital expenditure with regard to its investment in a jointly controlled entity and an obligation to pay lease payments. For further information about material commitments see Note 30, regarding Commitments.

Market risk

In the ordinary course of business, the Group carries out derivative transactions, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out according to the policy established by the Board of Directors.

Interest rate and CPI risks

The Group is exposed to fluctuations in the interest rate, including changes in the CPI, as part of its borrowings are linked to the CPI. As part of its risk management policy the Group from time to time enters into forward contracts that partially hedge the exposure to changes in the CPI. All such transactions are carried out within the policy established by the Board of Directors.

Notes to the Consolidated Financial Statements

Note 5 - Financial Risk Management (cont'd)**Currency risk**

The Group's operating income and cash flows related to the sale of cellular equipment are exposed to currency risk (mostly USD), mainly due to handset and network related acquisitions, purchase of TV content, purchase of telecommunications capacity and its international roaming services activity. The Group also manages bank accounts that are denominated in a currency other than its respective functional currency, primarily USD. As part of its financial exposures hedging policy, the Group uses forward and option contracts to partially hedge the exposure to fluctuations in foreign exchange rates.

Capital management

The Group's capital management aim is to ensure a sound and efficient capital structure which takes into consideration, among others, the following factors:

A gearing ratio that supports the Group's cash flow needs with respect to its potential cash flow generation and also supporting its dividend policy, considering the limitation imposed on dividend distribution as established in the indenture of the Group's Series H - M debentures and in the Company's loan agreements, while maintaining a Net Debt to Adjusted EBITDA* ratio as established in such documents. The Group considers Net Debt to Adjusted EBITDA ratio to be an important measure for investors, debentures holders, analysts, and rating agencies. This ratio is a non-GAAP figure not governed by International Financial Reporting Standards and its definition and calculation may vary from one company to another. The Group's debt mainly consists of short and long-term debentures traded publicly on the Tel Aviv Stock Exchange.

Notes to the Consolidated Financial Statements

Note 6 - 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 review the balance of assets or liabilities for these segments, therefore they are not presented.

- Cellular segment - the segment includes 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, supplemental services and electricity services.
- Electricity segment (electricity services) - The segment includes the electricity supply services provided by Cellcom Energy (2023) Limited Partnership ("Cellcom Energy"). The revenues and expenses of the electricity segment are presented based on the Group's proportional share (50%).

	Year ended December 31, 2025					Reconciliation of subtotal adjusted segment EBITDA to profit for year
	NIS millions					
	Cellular	Fixed-line	Electricity	Reconciliation for consolidation	Consolidated	
Segment revenues- services	1,769	1,218	195	(195)	2,987	
Inter-segment revenues- services	4	141	-	(145)	-	
Segment revenues- equipment and other	1,095	162	-	-	1,257	
Total revenues	2,868	1,521	195	(340)	4,244	
Gross profit (Loss)	1,073	378	6	(6)	1,451	
Operating profit	340	89	-	-	429	
* Adjusted segment EBITDA	911	494	1	(1)		1,405
Depreciation and amortization						(961)
Share based payments						(19)
Other income						4
Financing income						24
Financing expenses						(126)
Gain from disposal of an equity accounted investee						386
Share in profit of accounted investees						1
Tax on income						(150)
Net profit						564

* Adjusted segment EBITDA as reviewed by the Group's CODM, represents earnings before interest (financing expenses, net), taxes, other income (expenses) not part of the Company's current activity (including provisions for legal claims that are presented under Other expenses), depreciation and amortization, profits (losses) of equity account investees and share based payments. In addition, it includes other income (expenses) that are part of the company's current activities, such as interest income for sale transactions in installments and additional revenues in the Company's operating segments. Adjusted Segment EBITDA is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies.

Notes to the Consolidated Financial Statements

Note 6 - Operating Segments (cont'd)

	Year ended December 31, 2024					Reconciliation of subtotal adjusted segment EBITDA to profit for year
	NIS millions					
	Cellular	Fixed-line	Electricity	Reconciliation for consolidation	Consolidated	
Segment revenues- services	1,855	1,200	77	(77)	3,055	
Inter-segment revenues- services	10	139	-	(149)	-	
Segment revenues- equipment and other	1,085	304	-	-	1,389	
Total revenues	2,950	1,643	77	(226)	4,444	
Gross profit	1,001	409	-	-	1,410	
Operating profit (loss)	260	114	(6)	6	374	
* Adjusted segment EBITDA	873	485	(6)	6		1,358
Depreciation and amortization						(944)
Share-based payments						(16)
Other expenses						(24)
Financing income						18
Financing expenses						(143)
Share in losses of accounted investees						(16)
Tax on income						(60)
Net profit						<u>173</u>

* Adjusted segment EBITDA as reviewed by the Group's CODM, represents earnings before interest (financing expenses, net), taxes, other income (expenses) not part of the Company's current activity (including provisions for legal claims that are presented under Other expenses), depreciation and amortization, profits (losses) of equity account investees and share based payments. In addition, it includes other income (expenses) that are part of the company's current activities, such as interest income for sale transactions in installments and additional revenues in the Company's operating segments. Adjusted Segment EBITDA is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies.

Notes to the Consolidated Financial Statements

Note 6 - Operating Segments (cont'd)

	Year ended December 31, 2023					Reconciliation of subtotal adjusted segment EBITDA to profit for year
	NIS millions					
	Cellular	Fixed-line	Electricity	Reconciliation for consolidation	Consolidated	
Segment revenues- services	1,977	1,207	33	-	3,217	
Inter-segment revenues- services	15	142	-	(157)	-	
Segment revenues- equipment and other	898	283	-	-	1,181	
Total revenues	2,890	1,632	33	(157)	4,398	
Gross profit	1,016	323	(3)	-	1,336	
Operating profit (loss)	221	117	(5)	-	333	
* Adjusted segment EBITDA	833	444	(5)			1,272
Depreciation and amortization						(878)
Share-based payments						(24)
Other income						(37)
Financing income						25
Financing expenses						(165)
Share in losses of accounted investees						(3)
Tax on income						(56)
Net profit						<u>134</u>

* Adjusted segment EBITDA as reviewed by the Group's CODM, represents earnings before interest (financing expenses, net), taxes, other income (expenses) not part of the Company's current activity (including provisions for legal claims that are presented under Other expenses), depreciation and amortization, profits (losses) of equity account investees and share based payments. In addition, it includes other income (expenses) that are part of the company's current activities, such as interest income for sale transactions in installments and additional revenues in the Company's operating segments. Adjusted Segment EBITDA is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies.

Notes to the Consolidated Financial Statements

Note 7 – Subsidiaries

Presented hereunder is a list of the Group's significant subsidiaries:

<u>Name of subsidiary</u>	<u>Principal location of the subsidiary's activity</u>	<u>The Group's ownership interest in the subsidiary for the year ended December 31</u>	
		<u>2025</u>	<u>2024</u>
Cellcom Fixed Line Communication L.P.	Israel	100%	100%
Dynamica Cellular Ltd.	Israel	100%	100%
Golan Telecom Ltd.	Israel	100%	100%

Note 8 - Equity Accounted Investees and Joint Operations

	<u>As of December 31</u>	
	<u>2025</u>	<u>2024</u>
	<u>NIS millions</u>	
Investment in equity accounted investees:		
Investment share capital	-	160
Share in losses of equity accountes investees	(9)	(32)
Unrealized profit and other	-	(14)
	<u>(9)</u>	<u>114</u>

In 2025, the Company's share of the losses of an investee accounted for using the equity method exceeded the carrying amount of the investment. The company recognized its share of the joint venture's losses up to the carrying amount of its investment in the joint venture, plus any additional losses that it may incur as a result of guarantees or other financial support provided to the partnership.

In October 2025, the Company completed the sale of its holdings in IBC, which had been accounted for using the equity method. For additional information regarding this transaction, see Note 30F.

Notes to the Consolidated Financial Statements

Note 9 - Cash and Cash Equivalents

Composition:

	As of December 31	
	2025	2024
	NIS millions	
Cash balances available for immediate use	101	51
Cash equivalents - short term deposits	375	320
	<u>476</u>	<u>371</u>

Cash equivalents include short-term highly liquid with original maturities of three months or less that are readily convertible into known amounts of cash and are exposed to insignificant risks of change in value. The deposits bear at an average interest rate of about 4.11%.

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in Note 22.

Note 10 - Trade and Other Receivables

Composition

	As of December 31	
	2025	2024
	NIS millions	
Current		
Trade Receivables *		
Open accounts	295	371
Credit cards receivables	192	170
Accrued income	120	112
Current maturity of long-term receivables	231	230
	<u>838</u>	<u>883</u>
Other Receivables		
Prepaid expenses	78	25
Other	4	8
	<u>82</u>	<u>33</u>
	<u>920</u>	<u>916</u>
Non-current		
Trade Receivables **	178	174
Other	30	28
	<u>208</u>	<u>202</u>
	<u>1,128</u>	<u>1,118</u>

* Net of allowance for doubtful debts see note 22.

** Non-current trade receivables balances are in respect of equipment sold in installments (mainly 36 monthly payments) which current amount as of December 31, 2025, is calculated at a 6.47% annual discount rate (December 31, 2024 - 6.63%).

Notes to the Consolidated Financial Statements

Note 11 - Inventory

Inventory of cellular phone equipment, accessories and spare parts are measured at the lower of cost and net realizable value.

A. Composition

	As of December 31	
	2025	2024
	NIS millions	
Handsets	54	107
Accessories	25	18
Spare parts and other	25	25
	104	150

- B.** The Group is testing slow moving inventory for impairment. In the framework of the test conducted in 2025 impairment was credited in the amount of NIS 8.8 million (2024 - NIS 3 million). The write-down is included in Cost of revenues.

Notes to the Consolidated Financial Statements

Note 12 - Property, Plant and Equipment, net

Composition:

	Communication network	Communication equipment and infrastructure	,Vehicles ,computers furniture and other equipment	Leasehold improvements	Total
	NIS millions				
Cost					
Balance as of January 1, 2024	6,043	611	132	42	6,828
Additions	230	149	43	4	426
Deductions	(11)	(108)	(40)	(6)	(165)
Balance as of December 31, 2024	6,262	652	135	40	7,089
Additions	201	120	21	6	348
Deductions	(14)	(46)	(40)	(7)	(107)
Balance as of December 31, 2025	6,449	726	116	39	7,330
Accumulated depreciation					
Balance as of January 1, 2024	4,855	337	69	32	5,293
Depreciation for the year	246	106	28	3	383
Deduction of depreciation	(11)	(108)	(40)	(6)	(165)
Balance as of December 31, 2024	5,090	335	57	29	5,511
Depreciation for the year	234	120	29	3	386
Deduction of depreciation	(11)	(46)	(40)	(7)	(104)
Balance as of December 31, 2025	5,313	409	46	25	5,793
Amortized balance as of December 31, 2024	1,172	317	78	11	1,578
Amortized balance as of December 31, 2025	1,136	317	70	14	1,537

The Group purchases, in the ordinary course of business some of its fixed assets on credit. The cost of acquisitions, which has not yet been paid at the reporting date, amounted to NIS 111 million (December 31, 2024 and 2023, NIS 162 million and NIS 187 million, respectively).

During the period, certain accounting estimates related to property, plant and equipment were revised. For details regarding the accounting treatment and the effect of the change, see Note 2D – Basis of Preparation of the Financial Statements.

Notes to the Consolidated Financial Statements

Note 13 - Intangible Assets and Others, net

A. Composition:

	Software and computer licenses	Licenses and frequencies	Customer acquisition cost	Goodwill	Customer relations and other	Total
	NIS millions					
Cost						
Balance as of January 1, 2024	*641	*355	1,021	1,563	455	4,035
Additions	-	65	147	-	-	212
Deductions	*-	*(50)	-	-	-	(50)
Balance as of December 31, 2024	*641	*370	1,168	1,563	455	4,197
Additions	-	80	147	-	-	227
Deductions	-	(81)	-	-	-	(81)
Balance as of December 31, 2025	641	369	1,315	1,563	455	4,343
Accumulated depreciation						
Balance as of January 1, 2024	*537	*190	784	-	379	1,890
Depreciation for the year	*14	*71	143	-	21	249
Deduction of depreciation	*-	*(50)	-	-	-	(50)
Balance as of December 31, 2024	*551	*211	927	-	400	2,089
Depreciation for the year	12	73	145	-	21	251
Deduction of depreciation	-	(81)	-	-	-	(81)
Balance as of December 31, 2025	563	203	1,072	-	421	2,259
Amortized balance as of December 31, 2024	*90	*159	241	1,563	55	2,108
Amortized balance as of December 31, 2025	78	166	243	1,563	34	2,084

* Reclassification

The Group purchases in the ordinary course of business some of its Intangible assets on credit. The cost of acquisitions, which has not yet been paid at the reporting date, amounted to NIS 30 million (December 31, 2024 and 2023, NIS 27 million and NIS 26 million, respectively).

B. Impairment testing for cash-generating units containing goodwill

The recoverable amount of each of the Company's cash-generating units was evaluated by the company with the assistance of an independent external appraiser using the Value in Use model which was calculated using discounted cash flows method based on a projected five-year cash flow including a representative year. The five-year projected cash flows were estimated in light of the long-term growth rate. The Company used a relevant discount rate, which reflected the specific risks associated with the future cash flows of its cash-generating units. The carrying amount of the goodwill allocated to the cellular-segment and fixed-line segment as of December 31, 2025 amount NIS 831 million and NIS 732 million, respectively.

Actual results may differ from those assumed in the Company's valuation method. It is reasonably possible that the Company's assumptions described above could change in future periods. If any of these were to vary materially from the Company's plans, it may record impairment of goodwill in the future

Notes to the Consolidated Financial Statements

Note 13 - Intangible Assets and Others, net (cont'd)

B. Impairment testing for cash-generating units containing goodwill (cont'd)

These assumptions are as follows:

	<u>Cash generating unit Cellular segment</u>	<u>Cash generating unit Fixed-line segment</u>
Pre-tax discount rate	10.77%	10.61%
Terminal value growth rate	1.5%	1%
ARPU	NIS 37.8	NIS 99.6

1. The discount rate and the terminal value growth rate are denominated in real terms.
2. The cash generating units have cash flows for 5 years including a representative year, as included in their discounted cash flow model.
3. The long-term growth rate has been determined as 1.5% in the Cellular segment and 1% in the Fixed-line segment which represents, among others, the natural population growth rate.
4. The pre-tax discount rate is estimated and calculated using several assumptions, among others, cash generating units' Cost of Equity, risk premium for normative debt leveraging of the Group and estimates of the normative leverage ratio for the industry.
5. Cellular Segment ARPU (average monthly revenue per subscriber) in the representative year (among other things, revenues from hosting services and network sharing, and monthly revenue from repair services, and with the exception of end user equipment sales), in NIS.
6. Fixed Line Segment ARPU (income for average monthly internet services per subscriber) in the representative year (revenues from internet infrastructure products and the relative portion of internet revenues from the triple product).

Sensitivity to changes in assumptions

The estimated recoverable amount of the cash generating units exceeds their carrying amount by approximately NIS 1,118 million and NIS 648 million in Cellular segment and Fixed-line segment respectively. Management has identified key assumptions for which there reasonably could be a possible change that could cause the carrying amount to exceed the recoverable amount. The table below shows the amount that these assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount:

	<u>Cash generating unit Cellular segment</u>	<u>Cash generating unit Fixed-line segment</u>
Pre-tax discount rate	14.23%	13.77%
Terminal value growth rate	(4.4) %	(3.5) %
ARPU	NIS 34.5	NIS 82.3

Based on the above valuation performed, the Company concluded that the recoverable amount of its cash generating units as of December 31, 2025, is higher than their carrying amount and thus, no impairment was recognized.

Notes to the Consolidated Financial Statements

Note 13 - Intangible Assets and Others, net (cont'd)

B. Impairment testing for cash-generating units containing goodwill (cont'd)

Determination of the fair value of cash generating units requires significant discretion, including considerations regarding the appropriate capital rates, final growth rates, weighted costs of capital and the amount and timing of the expected future cash flows. The Company will continue to monitor the recoverable amount of its cash generating units to determine whether events and changes in circumstances such as deterioration in the business climate or operating results, continuous decline in the share price, changes in management's business strategy or downward adjustments to the Company's cash flows projections, warrant further impairment testing in future periods.

Note 14 – Leases

A. Right-of-use Assets and Investment Property

	Cell and switches sites	Buildings	Motor vehicles	Total
	Right of use assets			
	NIS millions			
Cost				
Balance as of January 1, 2024	996	366	40	1,402
Additions, changes in agreements and revaluation	77	32	51	160
Deductions for ended agreements	(50)	(20)	(23)	(93)
Balance as of December 31, 2024	1,023	378	68	1,469
Additions, changes in agreements and revaluation	151	61	8	220
Deductions for ended agreements	(27)	(24)	(16)	(67)
Balance as of December 31, 2025	1,147	415	60	1,622
Cumulated depreciation and devaluation				
Balance as of January 1, 2024	551	214	19	784
Depreciation for year	157	47	27	231
Deductions for ended agreements	(47)	(15)	(22)	(84)
Changes in agreements and revaluation	(34)	(4)	-	(38)
Balance as of December 31, 2024	627	242	24	893
Depreciation for year	141	45	26	212
Deductions for ended agreements	(25)	(23)	(15)	(63)
Changes in agreements and revaluation	(36)	(4)	-	(40)
Balance as of December 31, 2025	707	260	35	1,002
Amortized cost balance as of December 31, 2024	396	136	44	576
Amortized cost balance as of December 31, 2025	440	155	25	620

Notes to the Consolidated Financial Statements

Note 14 – Leases (cont'd)

B. Leases liabilities

	<u>Cell and switches sites</u>	<u>Buildings</u>	<u>Motor vehicles</u>	<u>Total</u>
	NIS millions			
Balance as of January 1, 2024	474	160	21	655
Additions for new contracts, changes in agreements and revaluation	110	32	50	192
Deductions for ended agreements	(3)	(5)	(1)	(9)
Financing expenses	21	8	2	31
Payments for lease	(174)	(53)	(27)	(254)
Balance as of December 31, 2024	428	142	45	615
Additions for new contracts, changes in agreements and revaluation	187	61	8	256
Deductions for ended agreements	(2)	(1)	(1)	(4)
Financing expenses	23	7	2	32
Payments for lease	(162)	(54)	(28)	(244)
Balance as of December 31, 2025	474	155	26	655
Current maturities of liabilities for leases	117	45	23	185
Liabilities for long-term leases	311	97	22	430
Balance as of December 31, 2024	428	142	45	615
Current maturities of liabilities for leases	115	48	18	181
Liabilities for long-term leases	359	107	8	474
Balance as of December 31, 2025	474	155	26	655

Notes to the Consolidated Financial Statements

Note 15 - Trade Payables and Accrued Expenses

Composition

	As of December 31	
	2025	2024
	NIS millions	
Trade payables	391	478
Accrued expenses	322	330
	<u>713</u>	<u>808</u>

As of December 31, 2024, trade payables include credit reverse factoring of trade payables transactions in the amount of approximately NIS 24 million, in accordance with the Company's customary credit terms (as of December 31, 2025, the Company had no outstanding credit related to reverse factoring transactions).

Note 16 - Provisions

Composition

	Dismantling and restoring sites	Legal claims	Other contractual liabilities	Total
	NIS millions			
Balance as of January 1, 2024	24	74	21	119
Provisions created in the year	3	16	-	19
Provisions cancelled in the year	(2)	(18)	-	(20)
Balance as of December 31, 2024	<u>25</u>	<u>72</u>	<u>21</u>	<u>118</u>
Provisions created in the year	3	23	7	33
Provisions cancelled in the year	-	(33)	-	(33)
Balance as of December 31, 2025	<u>28</u>	<u>62</u>	<u>28</u>	<u>118</u>
Non-current	28	-	-	28
Current	-	62	28	90
	<u>28</u>	<u>62</u>	<u>28</u>	<u>118</u>

Dismantling and restoring sites

The Group is required to incur certain costs in respect of a liability to dismantle and remove assets and to restore sites on which the assets were located. These dismantling costs are calculated on the basis of the identified costs for the current financial year, extrapolated for future years using the best estimate of future trends in prices, inflation, etc., and are discounted at a risk-free rate. Forecast of estimated site departures or asset returns is revised in light of future changes in regulations or technological requirements.

Litigations

The Group is involved in a number of legal claims and other disputes with third parties. The Group's management, after taking legal advice, included provisions in the financial statements which are credited and attributed specifically to each case. The timing of cash outflows associated with legal claims cannot be reasonably determined. For detailed information regarding legal proceedings against the Group, refer to Note 31.

Notes to the Consolidated Financial Statements

Note 16 – Provisions (cont'd)

Other contractual obligations

Provisions for other contractual obligations and exposures include various obligations that are derived either from a constructive obligation or legislation for which there is a high uncertainty regarding the timing and amount of future expenditure required for settlement.

Note 17 - Other Payables, Including Derivatives

Composition

	As of December 31	
	2025	2024
	NIS millions	
Employees and related liabilities	151	153
Government institutions	27	36
Interest payable	41	52
Accrued expenses	13	7
Deferred revenue and other credit balances	44	48
	<u>276</u>	<u>296</u>

Note 18 – Debentures, Credit and Loans from Financial Institutions

- A. This note provides information about the contractual terms of the Group's debentures which are measured at amortized cost. For more information about the Group's exposure to interest rates, foreign currency and liquidity risks, see Note 22.

	December 31	
	2025	2024
	NIS millions	
Non-current liabilities		
Debentures	942	1,348
	<u>942</u>	<u>1,348</u>
Current liabilities		
Current maturities of debentures	412	497
Short term credit	200	200
	<u>612</u>	<u>697</u>

Notes to the Consolidated Financial Statements

Note 18 – Debentures, Credit and Loans from Financial Institutions (cont'd)

B. Debentures and Short-term credit

1. The terms and repayment schedule of the Company's debentures are as follows:

	Currency	Nominal interest rate	Year of maturity	December 31, 2025		December 31, 2024	
				NIS millions			
				Face value	Carrying amount	Face value	Carrying amount
Debentures (series I) - unlinked	NIS	4.14%	2018-2025	-	-	113	112
Debentures (Series J) - linked to the Israeli CPI	NIS	2.45%	2021-2026	21	24	41	48
Debentures (series K) - unlinked	NIS	3.55%	2021-2026	142	142	284	284
Debentures (series L) - unlinked	NIS	2.50%	2023-2028	731	721	931	911
Debentures (series M) - unlinked	NIS	4.73%	2025-2030	470	467	495	490
Total debentures				1,364	1,354	1,864	1,845

	Currency	Nominal interest rate	Year of maturity	December 31, 2025		December 31, 2024	
				NIS millions			
				Face value	Carrying amount	Face value	Carrying amount
Variable Rate Commercial Securities	NIS	4.80%	2026	200	200	200	200
Total loans				200	200	200	200

2. In August 2025, Ma'alot ratified the Company's rating "from a rating of 'ilA+' with a Stable Outlook to a rating of 'ilAA-' with a Stable Outlook.
3. In connection with the issue of Series J-M debentures, the Company has undertaken to comply with certain financial and other covenants. Inter alia:
 - a. An undertaking not to create pledges (negative pledge), subject to certain exceptions. Failure to fulfill such 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 (1) if the Company's net debt to EBITDA (see note 5 for definition) ratio exceeds a ratio of 3.5:1, the Company shall not distribute more than 85% of the Profits; (2) if the Company's net debt to EBITDA ratio exceeds 4:1, the Company shall not distribute more than 70% of the Profits; and (3) if the Company's net debt to EBITDA ratio exceeds 5:1 or 4.5:1 for a duration of 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. An undertaking to rate the debentures through a rating company (as far as this is under the Company's control).
 - d. An undertaking to pay additional interest at a rate of 0.25% for a two point decrease in the rating of the debentures Series J to K and additional interest of 0.25% for any one point decrease in the rating of the debentures, up to a maximum addition of 1%, 0.5% for two point decrease in the rating of the debenture series L and additional interest of 0.25% for any one point decrease in the rating of the debentures, up to a maximum addition of 1% and 0.25% for a point decrease in the rating of debentures Series M, and additional interest of 0.25% for any one point decrease in the rating of the debentures, up to a maximum addition of 1%, compared to their rating before being issued.

Notes to the Consolidated Financial Statements

Note 18 – Debentures, Credit and Loans from Financial Institutions (cont'd)

B. Debentures (cont'd)

- e. The Company's undertaking not to issue additional debentures of any series should the Company fail to meet the financial criteria, or if such issue shall cause a decrease in the debentures' rating.

As of December 31, 2025, the Group is in compliance with the criteria that were determined.

4. In addition, the Company's debentures include Events of Default, including:
- a. Acceleration of a different debt of the Company (cross default) by a lender that is not a supplier, except with respect to a debt of NIS 150 million or less. The restriction on accelerating such debt shall not apply to a cross default that was caused by a different series of the Company's debentures.
 - b. A case where the Company shall cease to act in the field of cellular communications and/or cease to hold its cellular license for a period exceeding 60 days.
 - c. A suspension of trading the debentures on TASE, 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 debenture for a period exceeding 60 days.
 - f. A motion or court order for stay of proceedings against the Company or submitting a motion for a creditors arrangements.
 - g. Selling a material part of the Company's assets or merger (except for certain exceptions).
 - h. Failure to publish financial statements on time.
 - i. A net debt to EBITDA ratio exceeding 1:5, or exceeding 1:4.5 for four consecutive quarters. Net debt to EBITDA ratio as of December 31, 2025 is 0.8.
 - j. If 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 pledges.
 - l. A material deterioration of the Company's business compared to its situation on the issue date of the debentures, and a real concern that the Company may not repay the debentures on time.
 - m. There is real concern that the Company shall not fulfill its material undertakings towards its debenture holders.
 - n. Including a comment in the Company's financial statements regarding the concern of the Company's continued existence as a "going concern" for a period of two consecutive quarters.
 - o. A breach of the Company's undertakings with respect to the issue of additional debentures.
5. In November 2024, the Company performed a private issuance of debentures (Series M) to classified investors, by way of an expansion of an existing debenture series, to the sum of 100 million NIS NV, and in return for a total net sum of 99 million NIS.

The debentures (Series M) bear fixed annual interest at a rate of 4.73%, which will be paid in two payments each year, on January 5 and July 5 of each of the years 2023 to 2030 (inclusive). The principal of the debentures is repayable in six unequal annual payments, as specified below: 5% of the principal will be paid on January 5, 2025; 10% of the principal will be paid on January 5, 2026; 15% of the principal will be paid on January 5 of each of the years 2027 and 2028; and 27.5% of the principal will be paid on January 5 of each of the years 2029 and 2030.

Notes to the Consolidated Financial Statements

Note 18 – Debentures, Credit and Loans from Financial Institutions (cont'd)**C. Credit and loans from Financial Institutions**

The Company has credit frameworks of up to a total of 600 million NIS with the following bodies:

1. A framework agreement to provide credit with an institutional entity group (the “Lender”) up to a total of NIS 250 million. The credit facility allows the Company to receive loans, at the Company’s discretion, which are not linked to any index, of two types:
 - A. Short-term loans that will be repaid from time to time, and at the Company’s discretion, until the end of 24 months after the date of provision of the credit facility. The loans will bear variable interest according to the Bank of Israel interest rate, plus a margin which was determined between the parties. The interest will be repaid in quarterly payments;
 - B. Long-term loans that will be repaid in equal semi-annual payments from the date of provision of the loan until the end of 48 months after the date of provision of the loan. The loans will bear variable interest according to the Bank of Israel interest rate, or fixed interest rate according to the yield rate of government debentures, as at the date of provision of the loan, at the Company’s discretion, plus a margin which was determined between the parties. The interest will be repaid in quarterly installments.

The Company will pay to the lender, on each of the interest payment dates, a facility non-usage fee, at a rate which was determined between the parties, out of the total unused amount of the credit facility. The provision of the loans is conditional upon the Company’s fulfillment of its declarations and undertakings in accordance with the agreement, on the non-occurrence of a default event, and on the absence of any legal restriction preventing the lender from providing the loan.

2. A facility agreement to provide credit with a banking corporation (“the Lender”) for a 12-month period from the renewal of the provision of the credit framework, up to a total of 100 million NIS which will allow the Company to receive short-term loans, at the Company’s discretion. The Company shall pay the Lender a credit allocation commission at the end of each calendar month at the rate set between the parties on the unused balance of the credit framework.
3. A facility agreement with an additional banking corporation to provide a credit facility (“the Agreement”) up to a total of 100 million NIS, for a period of 12 months after signing the agreement, which will allow the Company to receive short-term loans and bank guarantees valid for up to 3 years from their date of issue, at the Company’s discretion. The Company shall pay the Lender a credit allocation commission at the end of each calendar quarter at the rate set between the parties on the unused balance of the credit framework.
4. A facility agreement with an additional banking corporation to provide a credit facility (“the Agreement”) up to a total of 150 million NIS, for a period of 12 months after signing the agreement. The Company shall pay the Lender a credit allocation commission at the end of each calendar quarter at the rate set between the parties on the unused balance of the credit framework.

The credit facility agreements are not secured by collateral, and include standard conditions and undertakings, including financial covenants and default events which, in general, apply also to the Company’s debentures (Series J-M).

As at December 31, 2025 the credit frameworks are not used.

Notes to the Consolidated Financial Statements

Note 18 – Debentures, Credit and Loans from Financial Institutions (cont'd)

D. Commercial securities

In January 2024, the Company issued non-tradable commercial securities (“CS”) in return for 200 million NIS. In accordance with the provisions of the CS, the CS fund shall be redeemed in a single payment after one year from the clearance date and can be renewed for an additional year at the end of each year up to 5 years from the clearance date. The CS bear yearly interest at the Bank of Israel Interest rate plus a margin of 0.25%. The interest shall be paid at the end of each year. Over the course of the CS period the buyer or the Company may announce that the CS period has been shortened in accordance with its value on the redemption date within seven business days of the announcement date.

E. Movement in liabilities deriving from financing activities

	<u>Debentures</u>	<u>Short term credit</u>	<u>Derivatives</u>	<u>Interest payable</u>	<u>Total</u>
	NIS millions				
Balance as of January 1, 2024	(2,335)	-	(5)	(51)	(2,391)
Changes from financing cash flow					
Repayment of loans, debentures and derivative contracts	609	-	4	-	613
Proceeds from issuance of debentures, net of issuance costs	(97)	-	-	(2)	(99)
Proceeds from raising short time credit	-	(200)	-	-	(200)
Interest paid	-	-	-	75	75
Total cash, net, deriving from financing activities	512	(200)	4	73	389
Financing expenses (income) recognized in profit or loss	(22)	-	2	(74)	(94)
Balance as of December 31, 2024	<u>(1,845)</u>	<u>(200)</u>	<u>1</u>	<u>(52)</u>	<u>(2,096)</u>
Changes from financing cash flow					
Repayment of loans, debentures and derivative contracts	503	-	(1)	-	502
Proceeds from raising short time credit	-	-	-	-	-
Interest paid	-	-	-	72	72
Total cash, net, deriving from financing activities	503	-	(1)	72	574
Financing expenses (income) recognized in profit or loss	(12)	-	-	(61)	(73)
Balance as of December 31, 2025	<u>(1,354)</u>	<u>(200)</u>	<u>-</u>	<u>(41)</u>	<u>(1,595)</u>

Notes to the Consolidated Financial Statements

Note 19 - Liability for Employee Rights upon Retirement, Net

The obligation of the Group, under law and labor agreements, to pay severance pay to employees who are not covered by the pension or insurance plans as mentioned in section A below, as of December 31, 2025 and 2024 is NIS 14 million and NIS 13 million respectively, and they are presented in the consolidated statements of financial position, under Liability for employee rights upon retirement, net.

A. Post-employment benefit plans - defined contribution plan

The Group's liability for severance pay for its employees is calculated pursuant to Israeli Severance Pay Law. The Group's liability is not fully covered by monthly deposits with severance pay funds and insurance policies. For most of the Group's employees, the payments to pension funds and to insurance companies exempt the Group from any obligation towards its employees, in accordance with Section 14 of the Severance Pay Law-1963. Accumulated amounts in pension funds and in insurance companies are not under the Group's control or management and accordingly, neither those amounts nor the corresponding accrual for severance pay are presented in the consolidated statements of financial position.

B. Post-employment benefit plans - defined benefit plan

Severance payments which is not covered against deposits in defined contribution plans, as aforementioned, are accounted for by the Group as a defined benefit plan, according to which a liability for employee benefits is recognized and in respect of which, the Group deposits amounts in central severance pay funds and in appropriate insurance policies. The total liability as at December 31, 2025 is NIS 20 million (2024 - NIS 19 million). The fair value of the plan assets, the severance pay fund, is NIS 15 million (2024 - NIS 14 million). The expense recognized in the consolidated statement of profit or loss for the year ended December 31, 2025 amounted to NIS 1 million (2024 – NIS 1 million).

C. As of December 31, 2025, the Group's liability for advance notice to employees is NIS 8 million (December 31, 2024 - NIS 8 million).

Notes to the Consolidated Financial Statements

Note 20 - Capital and Reserves

A. Share capital

	<u>2025</u>	<u>2024</u>	<u>2023</u>
	<u>NIS millions</u>		
Issued and paid at January 1	1,661,023	1,653,412	1,649,052
Exercise of share options	19,773	7,611	4,360
Issued and paid at December 31	<u>1,680,796</u>	<u>1,661,023</u>	<u>1,653,412</u>

The share capital is comprised of ordinary shares of NIS 0.01 par value each.

On December 31, 2025, 2024 and 2023, the registered share capital included a total of 300 million shares.

B. Basic and diluted earnings per share

The calculation of basic earnings per share was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding (168,195,526, 165,696,022 and 164,928,168 during the years 2025, 2024 and 2023, respectively).

The calculation of diluted earnings per share was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares, after considering dilutive potential ordinary shares (170,460,486, 166,270,069 and 165,752,011 in 2025, 2024 and 2023, respectively).

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

C. Dividend

On November 24, 2025, the Company declared a dividend of NIS 200 million to its shareholders, which was distributed on December 11, 2025. The dividend per share amounted to NIS 1.19.

In March 2026, subsequent to the reporting period, the Company's Board of Directors declared a cash dividend of NIS 1.19 per share, totaling NIS 200 million, which will be paid on April 16, 2026, to shareholders of the Company who are registered in the Company's shareholders' register at the close of trading on April 1, 2026.

Notes to the Consolidated Financial Statements

Note 21 - Share-Based Payments

In March 2015 the Company adopted a capital remuneration plan (options and/or RSUs) for employees, officers and service providers at the Group. The plan was revised in March 2023 and in February 2025 the plan was extended by 10 years. In accordance with the plan, the Company Board of Directors may decide on the terms of the grants that include the identity of the recipients, the number of blocked shares or options that will be granted, the vesting period and the exercise price. In February 2025 the Company published an outline and an immediate report on granting options to officers, executives and other Company employees.

The share-based payment conditions include adjustment mechanisms including in the case of dividend distribution. The options will be exercised in a net exercise mechanism, without the transfer of case.

Over the course of 2025 the Company granted some 4.5 million options to Group executives (in 2024 – some 1 million options) in four equal batches for each recipient, which vest each year and starting from the end of one year from their granting date.

As a rule, the exercise price of the options is determined according to the average closing prices of the Company's share on the Tel Aviv Stock exchange over the course of the last 30 days of trade before the allocation decision or the closing price of the share at the end of the date of trade before the allocation decision date, whichever is higher.

On March 17, 2026, subsequent to the reporting period, the Company's Board of Directors, following the approval of the Company's Compensation Committee, approved the grant of 800 thousand unregistered options, exercisable into 800 thousand ordinary shares of the Company through a net-exercise mechanism, in accordance with the Company's equity-based compensation plan, with a value of approximately NIS 8.1 million. The options will vest in three equal tranches after one year, two years, and three years from the grant date. The Company will publish a notice convening a shareholders' meeting, as well as a private offering report, shortly after the publication of this report, for the approval of the aforementioned grant.

Assumptions Used in the Fair Value Measurement:

Share price at the grant date (NIS)	37.95
Expected volatility (weighted average)	34.1%-37.4%
Expected option life (weighted average)	2.66
Risk-free interest rate	3.7%

Notes to the Consolidated Financial Statements

Note 21 - Share-Based Payments (cont'd)

The changes in option balances were as follows:

	Number of Options (thousan ds)	Weighted average of exercise price (NIS)	Number of Options (thousan ds)	Weighted average of exercise price (NIS)	Number of Options (thousan ds)	Weighted average of exercise price (NIS)
	2025		2024		2023	
Balance as at January 1	9,234	16.8	15,609	16.3	11,386	17.5
Granted during the year	4,501	28.4	1,097	18.1	5,442	14.1
Forfeited during the year	(523)	15.4	(3,330)	16.7	(785)	16.0
Exercised during the year	(5,423)	17.6	(4,142)	15.8	(434)	14.3
Total options outstanding as at December 31	<u>7,790</u>	<u>23.4</u>	<u>9,234</u>	<u>16.8</u>	<u>15,609</u>	<u>16.3</u>
Total of exercisable options as at December 31	<u>2,971</u>	<u>16.7</u>	<u>2,748</u>	<u>17.6</u>	<u>4,312</u>	<u>16.5</u>

The weighted average of the remaining contractual life of options outstanding as at December 31, 2025 is 3.8 years.

Fair value of share options and assumptions:

The fair value of employee stock options was measured using the Black and Scholes model. The model assumptions include the share price at the measurement date, expected volatility based on historical volatility in the company's shares, life of instruments based on past experience and risk-free interest rate.

The changes in the balances of the RSU were as follows:

	Number of RSU (thousands)		
	2025	2024	2023
Balance as at January 1	346	665	1,112
Forfeited during the year	(12)	(30)	(50)
Exercised during the year	(171)	(289)	(397)
Total RSU outstanding as at December 31	<u>163</u>	<u>346</u>	<u>665</u>
	2025	2024	2023
	NIS Millions		
Salary expenses arising from share-based payments (NIS millions)	19	16	24

Notes to the Consolidated Financial Statements

Note 22 - Financial Instruments

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>As of December 31,</u>	
	<u>2025</u>	<u>2024</u>
	<u>NIS millions</u>	
Trade receivables including long-term amounts	1,016	1,057
Loans and other receivables, including long-term amounts	31	42
Deposits	11	25
Derivative financial instruments	-	2
	<u>1,058</u>	<u>1,126</u>

Impairment losses

The aging of financial assets at the reporting date was as follows:

	<u>Gross</u>	<u>Devaluation</u>	<u>Gross</u>	<u>Devaluation</u>
	<u>2025</u>		<u>2024</u>	
	<u>NIS millions</u>			
Not past due	867	30	1,472	28
Past due less than one year	66	35	64	31
Past due more than on year	40	20	38	18
	<u>973</u>	<u>85</u>	<u>1,574</u>	<u>77</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	<u>2025</u>	<u>2024</u>
	<u>NIS millions</u>	
Balance as of January 1	77	74
Write-off of lost debts	(3)	(3)
Doubtful debt loss (profit)	11	6
Balance as of December 31	<u>85</u>	<u>77</u>

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the amount considered irrecoverable is written off against the trade receivable directly

Notes to the Consolidated Financial Statements

Note 22 - Financial Instruments (cont'd)

Liquidity risk

The following are the maturities of contractual financial liabilities and other non-contractual liabilities, including estimated interest payments and excluding the impact of netting agreements:

As of December 31, 2025							
Carrying amount	Contractual cash flow	First year	Second year	Third year	Four to five years	More than five years	
NIS millions							
Debentures*	(1,386)	(1,480)	(461)	(372)	(362)	(146)	(139)
Short term credit*	(209)	(218)	(9)	(209)	-	-	-
Trade and other payables	(787)	(787)	(787)	-	-	-	-
Other long-term liabilities	(2)	(2)	-	(2)	-	-	-
Lease liabilities	(655)	(746)	(198)	(146)	(109)	(160)	(132)
	<u>(3,041)</u>	<u>(3,235)</u>	<u>(1,455)</u>	<u>(731)</u>	<u>(471)</u>	<u>(306)</u>	<u>(271)</u>
As of December 31, 2024							
Carrying amount	Contractual cash flow	First year	Second year	Third year	Four to five years	More than five years	
NIS millions							
Debentures*	(1,887)	(2,044)	(565)	(460)	(372)	(508)	(139)
Short term credit*	(210)	(220)	(10)	(210)	-	-	-
Trade and other payables	(1,016)	(1,016)	(1,016)	-	-	-	-
Other long-term liabilities	(4)	(4)	(1)	(3)	-	-	-
Lease liabilities	(615)	(700)	(201)	(145)	(108)	(136)	(110)
	<u>(3,732)</u>	<u>(3,984)</u>	<u>(1,793)</u>	<u>(818)</u>	<u>(480)</u>	<u>(644)</u>	<u>(249)</u>

* Including accrued interest in the following year

Notes to the Consolidated Financial Statements

Note 22 - Financial Instruments (cont'd)

Currency risk and CPI

The Group's exposure to foreign currency risk and CPI is as follows:

The Group's exposure to linkage and foreign currency risk in respect of derivatives is as follows:

	December 31, 2025			December 31, 2024		
	In or linked to foreign currency (mainly USD)	Linked to CPI	Unlinked	In or linked to foreign currency (mainly USD)	Linked to CPI	Unlinked
	NIS millions			NIS millions		
Current assets						
Cash and cash equivalents	30	-	446	55	-	316
Current investments, including derivatives	-	-	11	-	-	25
Trade receivables	16	-	822	28	-	855
Other receivables	-	1	4	-	6	11
Long-term assets						
Long-term receivables	-	-	205	-	-	200
Current liabilities						
Current maturities of debentures and short term credit	-	(24)	(588)	-	(24)	(673)
Trade payables and accrued expenses	(138)	-	(575)	(165)	-	(643)
Other current liabilities, including derivatives	-	(24)	(406)	(1)	(5)	(347)
Current maturities of lease liabilities	(4)	(176)	(1)	(6)	(179)	(1)
Long-term liabilities						
Debentures	-	-	(942)	-	(24)	(1,324)
Other non-current liabilities	-	-	(52)	-	-	(39)
Long-term lease liabilities	(11)	(461)	(2)	(14)	(415)	(1)
	<u>(107)</u>	<u>(684)</u>	<u>(1,078)</u>	<u>(103)</u>	<u>(641)</u>	<u>(1,621)</u>

Notes to the Consolidated Financial Statements

Note 22 - Financial Instruments (cont'd)

Currency risk and CPI (cont'd)

The exposure to linkage and foreign currency risk in respect of derivative instruments as of December 31, 2024 is as follows:

	December 31, 2024			
	Currency/linkage receivable	Currency/linkage payable	Face value	Fair value
	NIS millions			
Instruments not used for hedging				
Forward contracts on exchange rates	USD	NIS	(33)	-
Forward contracts on CPI	CPI	NIS	(85)	-
Foreign currency put options	NIS	USD	(51)	-

As of December 31, 2025, the Group has no exposure to linkage and foreign currency risk in respect of derivative instruments.

Sensitivity analysis

A change of the CPI as at December 31, 2025 and 2024 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2024.

	Change	Equity	Net profit
		NIS millions	
December 31, 2025			
Increase in the CPI of	2%	(4)	(4)
Increase in the CPI of	1%	(2)	(2)
Decrease in the CPI of	(1)%	2	2
Decrease in the CPI of	(2)%	4	4
December 31, 2024			
Increase in the CPI of	2%	(4)	(4)
Increase in the CPI of	1%	(2)	(2)
Decrease in the CPI of	(1)%	2	2
Decrease in the CPI of	(2)%	4	4

A change in the Dollar rate as of December 31, 2025 and 2024 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Notes to the Consolidated Financial Statements

Note 22 - Financial Instruments (cont'd)

Currency risk and CPI (cont'd)

	<u>Change</u>	<u>Equity</u> NIS millions	<u>Net profit</u> NIS millions
December 31, 2025			
Increase in the Dollar rate of	2%	(7)	(7)
Increase in the Dollar rate of	1%	(4)	(4)
Decrease in the Dollar rate of	(1)%	4	4
Decrease in the Dollar rate of	(2)%	7	7
December 31, 2024			
Increase in the Dollar rate of	2%	(8)	(8)
Increase in the Dollar rate of	1%	(4)	(4)
Decrease in the Dollar rate of	(1)%	4	4
Decrease in the Dollar rate of	(2)%	8	8

Interest rate risk

1. Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments, not including derivatives, was:

	<u>Carrying amount</u>	
	<u>2025</u>	<u>2024</u>
	<u>NIS millions</u>	
Fixed rate instruments		
Financial liabilities	<u>(1,354)</u>	<u>(1,845)</u>
Variable rate instruments		
Financial assets	386	345
Financial liabilities	<u>(200)</u>	<u>(200)</u>
	<u>186</u>	<u>145</u>

2. Cash flow sensitivity analysis for variable rate instruments

A change of 1% in interest rates at the end of the reporting period would have increased (decreased) equity and profit or loss by immaterial amounts.

Notes to the Consolidated Financial Statements

Note 22 - Financial Instruments (cont'd)

Fair Value

1. 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 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:

	December 31, 2025		December 31, 2024	
	Carrying amount	Fair value*	Carrying amount	Fair value*
	NIS millions		NIS millions	
Debentures, including current maturities and interest payable	(1,386)	(1,389)	(1,887)	(1,870)

* The fair value as of December 31, 2025 includes principal and interest in a total sum of approximately NIS 281 million, paid in January 2026, after the end of the reporting period.

The fair value as of December 31, 2024 includes principal and interest in a total sum of approximately NIS 267 million, paid in January 2025.

The fair value of marketable debentures is determined by reference to the quoted closing asking price at the reporting date (level 1), with the addition of principal and interest amounts, which were paid during the following month after the end of the reporting period.

Notes to the Consolidated Financial Statements

Note 22 - Financial Instruments (cont'd)

Fair Value (cont'd)

2. Offset of financial assets and financial liabilities

The following table sets out the carrying amounts of recognized financial instruments that were offset in the consolidated statements of financial position:

		December 31, 2025		
		Gross amount of financial assets (liabilities) recognized and offset in the consolidated statements of financial position	Gross amount of financial assets (liabilities) recognized	Net amount of financial assets (liabilities) presented in the consolidated statements of financial position
Note		NIS millions		
Financial assets				
	Trade receivables	13	(9)	4
Financial liabilities				
	Trade payables and accrued expenses	(13)	9	(4)
		December 31, 2024		
		Gross amount of financial assets (liabilities) recognized and offset in the consolidated statements of financial position	Gross amount of financial assets (liabilities) recognized	Net amount of financial assets (liabilities) presented in the consolidated statements of financial position
Note		NIS millions		
Financial assets				
	Trade receivables	36	(30)	6
Financial liabilities				
	Trade payables and accrued expenses	(33)	30	(3)

Notes to the Consolidated Financial Statements

Note 23 - Revenues

By type of revenue:

Composition

	For year ended December 31		
	2025	2024	2023
	NIS millions		
Revenues from services			
Cellular services	1,564	1,487	1,466
Land-line communications services	1,213	1,186	1,184
Other services*	121	114	139
Total revenues from services	2,898	2,787	2,789
Revenues from sale of end equipment	1,257	1,389	1,181
Total revenues from services sale of end equipment	4,155	4,176	3,970
Interconnect services	89	268	428
Total revenues	4,244	4,444	4,398

* For 2023, includes revenue from electricity services in the amount of NIS 33 million

In 2024 and 2025, revenues from electricity operations are presented within share in profit/ losses of equity accounted investees.

Note 24 - Cost of Revenues

Composition

	For year ended December 31		
	2025	2024	2023
	NIS millions		
Maintenance and technological network expenses	110	103	98
Salaries and other related expenses	160	166	164
Fees to communication operators	434	579	819
Cost of content	190	191	189
Depreciation and amortization	635	622	576
Frequencies fees	136	105	94
Other**	88	105	132
Total cost of revenues from services	1,753	1,871	2,072
Cost of equipment sold	1,040	1,163	990
Total	2,793	3,034	3,062

* In 2023, expenses from electricity operations amounted to 36 million NIS.

In 2024 and 2025, the expenses from electricity operations are presented within share in profit/ losses of equity accounted investees.

Notes to the Consolidated Financial Statements

Note 25 - Selling and Marketing Expenses

Composition

	For year ended December 31		
	2025	2024	2023
	NIS millions		
Salaries and related expenses	290	298	302
Distributors' Commissions and customer service	112	97	93
Advertising and public relations	64	61	61
Depreciation and amortization	199	196	180
Collection fees	19	21	21
Other	79	69	59
	<u>763</u>	<u>742</u>	<u>716</u>

Note 26 - General and Administrative Expenses

Composition

	For year ended December 31		
	2025	2024	2023
	NIS millions		
Salaries and related expenses	88	96	101
Depreciation and amortization	127	126	122
Data processing and professional services	36	29	25
Other	41	43	37
	<u>292</u>	<u>294</u>	<u>285</u>

Note 27 - Other Income (Expenses), net

Composition

	For year ended December 31		
	2025	2024	2023
	NIS millions		
Interest income from installment sale transactions	21	18	13
Profit of operating Contractor	23	15	16
Legal claims and other expenses	12	(27)	(33)
Expenses related to a voluntary retirement plan*	(12)	-	-
Other revenues (expenses), net	<u>44</u>	<u>6</u>	<u>(4)</u>

*See Note 30 E.

Notes to the Consolidated Financial Statements

Note 28 - Financing Income and Expenses

Composition

	For year ended December 31		
	2025	2024	2023
	NIS millions		
Net change in the fair value of financial assets measured by fair value through profit or loss	-	1	4
Interest revenues from loans	5	2	2
Interest income from deposits	8	11	19
Other	11	4	-
Financing revenues	24	18	25
Interest expenses and index linkage differentials for long-term liabilities	(67)	(83)	(95)
Net change in the fair value of derivatives	(4)	-	-
Expenses from discount amortization	(11)	(17)	(23)
Financing expenses for liabilities for leases	(31)	(31)	(29)
Other	(13)	(12)	(18)
Financing expenses	(126)	(143)	(165)
Financing expenses, net	(102)	(125)	(140)

Note 29 - Income Tax

A. Details regarding the tax environment of the Group

Corporate tax rate

The tax rate relevant to the Group in the years 2023-2025 is 23%.

The deferred tax balances as at December 31, 2024 and at December 31, 2025 were calculated according to the tax rate of 23% - the tax rate expected to apply on the date of reversal.

Current taxes for the reported periods are calculated according to the tax rates presented above.

B. Composition of tax on income

	For year ended December 31		
	2025	2024	2023
	NIS millions		
Current tax expenses (income)			
Current year	133	33	25
Adjustments for past years, net	-	(2)	1
	133	31	26
Deferred tax expenses			
Creation and reversal of temporary differences	17	29	30
Tax on income	150	60	56

Notes to the Consolidated Financial Statements

Note 29 - Income Tax (cont'd)

C. Reconciliation between the theoretical tax on the pre-tax profit and the tax expense

	For year ended December 31		
	2025	2024	2023
	NIS millions		
Profit before taxes on income	713	249	193
Primary tax rate of the group	23%	23%	23%
Tax calculated according to the Group's primary tax rate	164	57	44
Addition (saving) tax in respect of:			
Non-deductible expenses	3	3	8
Other differences	(17)	-	4
Tax on income	150	60	56

D. Recognized deferred tax assets and liabilities

Deferred taxes are calculated according to the tax rate anticipated to be in effect on the date of reversal as stated above.

The movement in deferred tax assets and liabilities is attributable to the following items:

	Provision to doubtful debts	Fixed assets and intangible assets	Deduction and losses for carrying for tax purposes	Other	Total
	NIS millions				
Deferred tax asset (liability) balance as of January 1, 2025	7	(212)	36	28	(141)
Changes recognized in profit or loss	1	11	(36)	(34)	(58)
Balance of deferred tax asset (liability) as at December 31, 2025	8	(201)	-	(6)	(199)
Deferred tax asset					54
Offset of balances					(51)
Deferred tax asset in the consolidated statements of financial position as at December 31, 2025					3
Deferred tax liability					(254)
Offset of balances					51
Deferred tax liability in the consolidated statements of financial position as at December 31, 2025					(203)

Notes to the Consolidated Financial Statements

Note 29 - Income Tax (cont'd)

D. Recognized deferred tax assets and liabilities (cont'd)

	Provision to doubtful debts	Fixed assets and intangible assets	Deduction and losses for carrying for tax	Other	Total
	NIS millions				
Balance of deferred tax asset (liability) as at January 1, 2024	15	(166)	15	30	(106)
Changes recognized in profit or loss	(8)	(50)	20	(1)	(39)
Balance of deferred tax asset (liability) as at December 31, 2024	<u>7</u>	<u>(216)</u>	<u>35</u>	<u>29</u>	<u>(145)</u>
Deferred tax asset					79
Offset of balances					<u>(75)</u>
Deferred tax asset in the consolidated statements of financial position as at December 31, 2024					<u>4</u>
Deferred tax liability					(224)
Offset of balances					<u>75</u>
Deferred tax liability in the consolidated statements of financial position as at December 31, 2024					<u>(149)</u>

E. Tax assessments

The Company and the other companies in the group have received final tax assessments up to and including the year ended December 31, 2020 (2020 fiscal year).

F. Withholding Tax Assessments

In December 2025, the Tax Assessor issued a best-judgment withholding tax assessment to the Company for the 2020–2023 tax years, in the amount of approximately NIS 22.5 million (including fines, interest, and linkage differences). The assessment relates primarily to employee benefit matters. In February 2026, subsequent to the reporting period, the Company filed an objection to the assessment. According to the subsidiary and its professional advisors, it has valid arguments in support of its position.

Notes to the Consolidated Financial Statements

Note 30 - Commitments

- A. The Group has commitments regarding the license it was granted in 1994, including:
1. Not to pledge any of the assets used to execute the license without the advance consent of the Ministry of Communications.
 2. The Company's shareholders' joint equity, combined with the Company's equity, shall not amount to less than US\$ 200 million. Regarding this stipulation, a shareholder holding less than 10% of the rights to the Company's equity is not taken into account.

As of the date of signing the financial statements the Group is in compliance with the above conditions.

- B. As at December 31, 2025, the Group has commitments to purchase equipment for the communications networks, end user equipment, systems and software maintenance, and content and related services, in a total amount of approximately NIS 293 million.
- C. The Group has 2 agreements for purchase of rights of use (IRU):
1. Rights of use in communication lines to the global internet: The Group engaged in several agreements for the purchase of indefeasible rights of use (IRU) in certain communication capacities in communication lines connecting the Israeli internet to the global internet, as well as maintenance and operation services in connection with the foregoing communication lines. The agreement period in connection with most of the capacity is until May 2032. The balance of the liability from all of the existing agreements as of December 31, 2025, is NIS 2 million.
 2. Rights of use in IBC's optic fiber infrastructure, for addition information NIS see Section F of this note.

D. Network sharing agreement with Wecom Mobile Ltd. ("Wecom") (previously- Marathon (018) Xfone Ltd.):

Sharing agreement for the 4G and 5G Networks and hosting services for 2G and 3G Networks with Wecom, came into effect in April 2017, and updated in March 2022 (the "Completion Date"), as part of creditor arrangement for Wecom (the "Sharing Agreement" or "Network Sharing Agreement"). Wecom began operating in the cellular market in April 2018.

The Sharing Agreement with Wecom sets the terms under which the shared 4G and 5G networks will operate, the terms under which hosting services for the 2G and 3G networks will be provided, and also determines, inter alia, the following terms:

1. Arrangements for using the parties' relevant frequencies; management and operation using a joint corporation (the "Joint Corporation"); arrangements of the parties' holding and use of active and passive components of the shared network; arrangements for future investments and the payment method in the shared network's active components; arrangements for an indefeasible right of use (IRU) of these components, of each sharing party towards the other sharing parties; the grant of an indefeasible right of use (IRU) from the Group to Wecom and to the Joint Corporation with respect to the shared network's passive components; arrangements for services the Group shall provide the Joint Corporation as a subcontractor; arrangements for the parties'

Notes to the Consolidated Financial Statements

Note 30 - Commitments (Cont'd)

D. Network sharing agreement with Wecom (previously- Marathon (018) Xfone) (Cont'd)

separation; and arrangements for adding an additional joint party. The Sharing Agreement includes Wecom's undertaking to obtain from the Ministry of Communications an amended cellular license and allocation of frequencies under the 2020 Tender, and to pay the license and frequency fees thereunder to the Ministry of Communications.

2. **The agreement period** – The agreement is made for 10 years from the Completion Date. For circumstances allowing Wecom to shorten the period of the agreement to seven years.
3. **The consideration** – The annual consideration to be received by the Group during the agreement period within the framework of the Wecom Agreement includes: (1) payment for the IRU on the active and passive components of the shared network; (2) payment for a certain share of Wecom in the cost of the active components of the shared network from the Completion Date; and (3) payment for participation in the regular operating costs of the shared network and the Group's 2G and 3G networks, according to the number of Wecom subscribers. The Company estimates that the total consideration from the Sharing Agreement, including participation in purchasing equipment for the shared network, shall amount to NIS 300-400 million over the period (10 years). In the Company's estimates, discounts as set forth in subsection (d) below, if granted, do not materially change the Company's estimates with respect to the total consideration from the Sharing Agreement, while shortening the agreement, if shortened, would proportionally reduce the total consideration.
4. **Call option, loan option and put option** – Clear Communications Holdings Limited Partnership – the controlling shareholder in Wecom after completing Wecom's creditors' arrangement ("Clear") was granted the possibility to obligate the Company to purchase all (100%) of Wecom's share capital within a period of three to five and a-half years of completing the transaction, in consideration for NIS 130 million (that could increase in certain instances) ("Call Option"). Should such Call Option, which is contingent upon obtaining regulatory approvals from the Ministry of Communications and the Director General of Competition, not be exercisable, clear shall have the option to obligate the Company to provide an interest bearing loan to Wecom in the same amount against collateral as agreed between the parties, and subject to applicable law ("Loan Option"). The Company is unable to estimate whether the Call Option shall be exercised, and if so, whether approvals necessary for exercising it shall be obtained and on what terms. The company cannot estimate whether the Call Option will be exercised, and if exercised, whether the required approvals will be obtained for purpose of its exercise and under what terms.

Under certain circumstances, should it be impossible to exercise the Call Option and the Loan Option, Wecom shall be entitled to a certain discount for incremental payments it must pay the Company and shall be entitled to shorten the period of the agreement by three years (to seven years). Should Wecom decide to shorten the Sharing Agreement, the Company shall have the option to obligate the shareholders of Wecom to sell to the Company all of Wecom's issued and outstanding share capital for consideration of NIS 130 million, subject to regulatory approvals ("Put Option"). The Company cannot estimate whether circumstances shall exist as to confer the right to discounts, shortening the agreement or the Put Option, whether such rights shall be exercised and if the Put Option is exercised – whether regulatory approvals necessary for exercise shall be obtained and on what terms.

Notes to the Consolidated Financial Statements

Note 30 - Commitments (Cont'd)**E. Collective employment agreements:**

In March 2024, the Company engaged in a collective agreement with the Workers' Committee and the New General Workers' Histadrut ("the Collective Agreement"), for a period of three years (2024 to 2026). The agreement includes policies and employment benefits similar to those practiced at the Company with a number of changes, including a salary bonus of 3% in 2024 and 3.5% in 2025-2026, and the agreement includes a bonus that will be given to Company employees with a certain level of seniority. In addition, it was decided to pay a one-time bonus to eligible employees (as defined in the Collective Agreement) that will be paid subject to the completion of the transaction to sell all of the shares of the Discount Investment Company Ltd. (the Company's (indirect) controlling shareholder), to Fortissimo Capital Fund VI, L.P. For further details on the sales agreement see Note 1a.

The cost of the arrangements included in the collective agreement is estimated at approximately NIS 165 million, before tax, as follows: grants of approximately NIS 40 million, as noted above, which were paid during 2024, and additional agreement components totaling approximately NIS 125 million, allocated annually as follows: approximately NIS 26 million for 2024, approximately NIS 40 million for 2025, and an estimated cost of approximately NIS 59 million for 2026.

In December 2025, the Group entered into a collective agreement with the employees' committee and the New General Federation of Labor, under which, among other matters, a limited term voluntary termination program was agreed. Under this program, eligible employees were granted a period of several weeks to apply for voluntary termination of their employment with the Company under enhanced terms, including a retirement grant. Any such request was subject to the Company's approval. The Group approved the voluntary termination of 77 employees under enhanced terms, including retirement grants, at an aggregate cost to the Company of approximately NIS 12 million (before tax). The expense was recognized in the Company's financial statements for the fourth quarter of 2025.

Notes to the Consolidated Financial Statements

Note 30 - Commitments (Cont'd)**F. Transaction for the Sale of the Company's Holdings in IB**

IN July 2019, the Group entered into agreements with Israel Infrastructure Fund 3 L.P. ("IIF") to establish a limited partnership (IBC Unlimited Holdings Limited Partnership – "IBC Partnership"), jointly owned in equal parts, which acquired 70% of the shares of IBC. In February 2021, Hot Telecommunication Systems Ltd. (together with its related parties) ("HOT") completed an investment transaction in IBC, pursuant to which HOT became an equal partner in the IBC Partnership (such that each of the partners in the partnership indirectly held 23.3% of IBC's share capital).

In May 2025, the Company received a notice (the "Notice") from HOT and IIF stating that, on May 11, 2025, HOT and IIF had received a binding offer (the "Offer") from a corporation belonging to the Phoenix Group (the "Bidder") to purchase all of their holdings in the IBC Partnership and in the general partner of the IBC Partnership (the "General Partner") (together – the "Sold Holdings"). Further to the Notice and in accordance with the provisions of the IBC Partnership Agreement and the shareholders' agreement of the General Partner (together – the "Agreements Framework") regarding the Company's right of first refusal, in June 2025, the Company's Board of Directors resolved not to exercise the right of first refusal and subsequently resolved to exercise its tag-along right to join the sale of all of the Company's holdings in the Partnership.

G. Legal Proceedings with IBC

There is a dispute between IBC and some of its stakeholders in connection with decisions made by IBC pertaining to the new retirement goal and its implementation, as well as in the matter of the Company's obligation to purchase infrastructure lines from the new deployment, with the Company's position (including in accordance with the legal counsel it received) being that at the most, according to the system of agreements between the parties (according to which the Company undertook to purchase infrastructure lines as a share of the total deployment up to 2 million households), it has no obligation to purchase such lines. The Company announced its position to the IBC accordingly. At this stage, the Company cannot estimate the results and implications of the dispute in question.

Furthermore, as previously noted, in May 2025, the Company filed a lawsuit with the Tel Aviv District Court against IBC, requesting, among other remedies, that the Court declare and order that IBC's claims regarding the Company's alleged obligation to purchase infrastructure lines in the scope, timing and amounts demanded by IBC are unfounded; that IBC's interpretation in this regard is incorrect and should not be applied; that IBC is precluded from acting in accordance with such erroneous interpretation; and that IBC is precluded from exercising self-help remedies under the IRU agreement, including taking any action to terminate the agreement, or to discontinue, suspend, or delay any services provided thereunder, or from taking action to forfeit the guarantees (or any part thereof) provided by the Company under the said agreement.

Notes to the Consolidated Financial Statements

Note 30 - Commitments (Cont'd)

G. Legal Proceedings with IBC (cont'd)

Furthermore, as previously noted, in May 2025, the Company filed a lawsuit with the Tel Aviv District Court against IBC, requesting, among other remedies, that the Court declare and order that IBC's claims regarding the Company's alleged obligation to purchase infrastructure lines in the scope, timing and amounts demanded by IBC are unfounded; that IBC's interpretation in this regard is incorrect and should not be applied; that IBC is precluded from acting in accordance with such erroneous interpretation; and that IBC is precluded from exercising self-help remedies under the IRU agreement, including taking any action to terminate the agreement, or to discontinue, suspend, or delay any services provided thereunder, or from taking action to forfeit the guarantees (or any part thereof) provided by the Company under the said agreement.

On November 17, 2025, the Company received IBC's statement of defense and counterclaim, which included, among other matters, a monetary claim of approximately NIS 16.5 million and declaratory relief. In addition, IBC forfeited the amount of approximately NIS 16.5 million from the guarantees provided by the Company (which, in the Company's view, was done unlawfully and in violation of the IRU agreement). The Company is unable, at this stage, to assess the outcome or implications of this dispute.

As of December 31, 2025, the Company has an outstanding balance of principal and interest payable to IBC totaling approximately NIS 694 million, based on the Company's position regarding a deployment obligation of up to 2 million households. The expected payments by year are as follows:

Year	Payment (NIS millions)
2026	134
2027	130
2028	119
2029	96
2030	77
2031 and beyond	138

Notes to the Consolidated Financial Statements

Note 30 - Commitments (Cont'd)**H. Electricity supply agreement**

On August 31, 2023, the Company entered into a founders' agreement with Meshek Energy ("the Founders' Agreement") for the establishment of a registered limited partnership ("Cellcom Energy" or "the Partnership") the goal of which is to operate in the field of marketing, sale and supply of electricity to home and business consumers. The Partnership is treated as an investment in an associated according to the book value method. Profits and losses from transactions deriving from an associated company are recognized from the Group's Financial Statements according to a holding rate of 50%.

1. Contractual engagement in the Electricity Purchase Agreements

- a. Concurrently with executing the Founders' Agreement, the parties and an entity affiliated with Meshek Energy (the "Producer") contractually engaged in 4 Electricity Purchase Agreements (These are the first electricity agreements) and in 2024, Cellcom Energy entered into two additional electricity purchase agreements with the manufacturer, each for a period of 20 years from the date each production facility is assigned to Cellcom Energy, according to each of the aforementioned agreements, this involves 6 production facilities to be established by Meshek Energy and related entities (3 of which were completed and operational in 2024), with an installed solar capacity of approximately 61 MW DC and a storage capacity of approximately 155 MWh for all facilities
- b. Total expected payments from Cellcom Energy in connection with the purchase of electricity from the four production plants, for the cumulative period of the agreements, is about NIS 750 million, and it shall be partially linked to the Consumer Price Index with an agreed cap, and partially linked to the production rate (the weighted production component rate that is published by the Electricity Authority - the "Weighted Rate") (the "Linkage Mechanism"), and in addition minimum and maximum tariffs were set that Cellcom Energy shall be required to pay for transmitting electricity from every such production plant. Said consideration embodies an agreed discount from the Weighted Rate.
- c. Upon the signing of the power purchase agreements by the parties, the Company and Meshak Energy provided limited parent company guarantees, each according to its respective share, to secure Celcom Energy's payments to the generator under the agreements. The amount of these guarantees will be updated in accordance with the applicable indexation mechanism from the date of execution of the power purchase agreements and on a cumulative basis for the entire term of the agreements. For additional details regarding the guarantees, see Note 31 B on contingent liabilities.
- d. If the commercial operation of any of the generation facilities (following receipt of a commercial operation certificate from the Israel Electric Corporation), as required under the power purchase agreements, does not occur by the various dates specified therein, Celcom Energy will be entitled to agreed liquidated damages in accordance with the agreed mechanism. If commercial operation has not occurred within 12 months after such specified date, the generator will be entitled to terminate the power purchase agreements so that they expire at the end of such 12-month period, and in such case, a mechanism agreed between the parties for the purchase of electricity will apply. In addition, if the generator fails to meet its obligations with respect to the volume and hours of electricity supplied to Celcom Energy under the agreement, separately for each generation facility, Celcom Energy will be entitled to agreed liquidated damages up to a compensation cap in accordance with the agreed mechanism. If the generator reaches the compensation cap, Celcom Energy will have the right to terminate the agreement

Notes to the Consolidated Financial Statements

Note 30 - Commitments (Cont'd)

H. Electricity supply agreement (Cont'd)

1. Contractual engagement in the Electricity Purchase Agreements (cont'd)

- e. Entry into force of the Founders' Agreement, including the contractual engagement in the Electricity Purchase Agreements, was contingent on obtaining the approval of the Israel Competition Authority (without conditions that are not acceptable to the parties), within 90 days from its date of execution. On November 2023 the Antitrust Commissioner decided in which an exemption was given from the approval of a binding arrangement between the parties, for a period of 5 years (at the conclusion of which the Antitrust Commissioner will be able to reassess the competitive impact of the arrangement, with the development of the field of virtual supply to households, alongside the field of energy storage). Note that in the event that the exemption in question is not renewed, the parties have agreed upon a mechanism to liquidate the partnership between them. As such, the engagement in question entered into effect and the parties are working to realize it.
2. In September 2025, Cellcom Energy entered into an additional agreement and a memorandum of understanding (“the Agreement” and “the MoU”) for the purchase of electricity from corporations within the Meshak Energy group. The total expected payments by Cellcom Energy in connection with the purchase of electricity under these agreements are estimated by Cellcom Energy at approximately NIS 1.18 billion.

Under the Agreement, Cellcom Energy will purchase the electricity generated in a photovoltaic project combined with storage (“the Project”). The Agreement is for a period of 20 years from the commencement date of electricity supply from the Project, with an installed solar capacity (as provided to Cellcom Energy) of approximately 18 MW DC and a storage capacity of approximately 68.5 MWh. If the commercial operation of the facility does not begin within 12 months of the expected commercial operation date (as provided to the company – during the third quarter of 2026), and not due to a force majeure event, Cellcom Energy will be entitled to cancel the Agreement. The electricity purchased by Cellcom Energy under the Agreement will be sold under the Market Model regulation, at a price reflecting a discount on the weighted electricity generation component. The total projected payment related to the Agreement is estimated at approximately NIS 400 million over the term of the Agreement. To secure Cellcom Energy’s obligations under the Agreement, Meshak Energy and the company provided parent company guarantees, limited in amount, on behalf of the producer (which, under certain circumstances, will be supplemented by a bank guarantee in an amount not material to the company).

Concurrently, Cellcom Energy entered into the MoU with a corporation that fully owns the producer (100%), under which, subject to the fulfilment of certain conditions precedent, the parties will sign three binding power purchase agreements, while preserving commercial principles identical to those agreed upon in the Agreement (“the Future Projects”). As provided to the company, the Future Projects are expected to have an aggregate installed capacity (as provided to Cellcom Energy) of approximately 30 MW DC and a storage capacity of approximately 123.5 MWh. The total projected payment related to the Future Projects is estimated by Cellcom Energy at approximately NIS 780 million over the term of the respective agreements. The engagements under the MoU are subject to conditions precedent, including adherence to commercial operation timelines as agreed between the parties, as well as the signing of binding power purchase agreements.

Notes to the Consolidated Financial Statements

Note 30 - Commitments (Cont'd)

H. Electricity supply agreement (Cont'd)

3. In December 2025, Cellcom Energy entered into an agreement (“the Agreement”) for the purchase of availability certificates from a producer that is not related to Cellcom Energy (“the Producer”). Under the Agreement, Cellcom Energy will purchase availability certificates in a capacity of 50 MW from a photovoltaic power generation facility combined with storage, which will be constructed by the Producer and is expected to begin operation in the second half of 2027 (“the Project”). The Agreement is for a period of 10 years from the commencement date of supply of the availability certificates.

The availability certificates purchased by Cellcom Energy under the Agreement will allow it to purchase energy in an amount similar to the amount acquired through such availability certificates from Noga – the Israeli System Manager – at wholesale market rates (SMP). The Agreement includes compensation adjustment mechanisms for the Producer relating to possible changes in wholesale market tariffs and the generation component, as well as minimum and maximum compensation mechanisms that will apply for a defined period set out in the Agreement.

The Agreement also includes a mechanism allowing cancellation of the Agreement in the event of a force majeure that continues beyond the period specified in the Agreement. The total projected payment related to the Agreement is estimated by Cellcom Energy at approximately NIS 350 million over the term of the Agreement.

To secure Cellcom Energy’s obligations under the Agreement, Meshak Energy and the company provided parent company guarantees, limited in amount, on behalf of the Producer, which may be suspended or reduced under certain circumstances defined in the Agreement.

4. To significantly increase the supply of competitive capacity in the short and medium term, the Electricity Authority decided to conduct competitive procedures for the purchase of capacity from the System Manager, which only virtual suppliers will be permitted to participate in. Winners of the competitive procedure will be able to purchase availability directly from the System Manager, and in return for that availability, they will be able to purchase energy at market prices (SMP) instead of supplier tariffs.
5. On January 7, 2026, the Electricity Authority published a decision stating that, in the first competitive procedure for the purchase of availability certificates, Cellcom Energy won availability certificates in a capacity of 25 MW.
6. These engagements are in addition to other agreements entered into by Cellcom Energy with private electricity producers, to whom Cellcom Energy provides a service package and PV + storage fields. In general, the duration of these agreements ranges from one month to 15 years (with extension options in certain cases). As of the reporting date, the total expected payments by Cellcom Energy in transactions for residential customers amount to approximately NIS 1.2 billion, and this amount may vary depending on changes in the residential electricity tariff.
7. The company and Meshak Energy have provided parent company guarantees (which, in the agreements with private producers, are not limited in amount) according to their respective ownership interests in Cellcom Energy, to secure Cellcom Energy’s payments to the private electricity producers in accordance with the agreements. For details regarding guarantees provided by the company in connection with Cellcom Energy’s engagements and toward financial institutions providing credit to Cellcom Energy, see Note 31(b)(2)(c).

Notes to the Consolidated Financial Statements

Note 30 - Commitments (Cont'd)

I. Engagement in a Memorandum of Understanding with HOT in Connection with the Company's Activity in the Field of Television Services:

In November 2024, the Company entered into a memorandum of understanding with HOT – Communication Systems Ltd. (“HOT”), under which, subject to its completion, the Company was expected to market to its subscribers a dedicated package of audio-visual content from the NEXT TV service, including a VOD library containing HOT’s original productions (“the Memorandum”). The effectiveness of the Memorandum was conditional upon the fulfillment of conditions precedent, including the approval of the Competition Authority.

In the course of the Company’s discussions with the Competition Authority regarding the Memorandum, the Company received a letter from the Competition Authority concerning the request for an exemption from a restrictive arrangement in connection with the Memorandum. In the letter, the Competition Authority stated (among other things) that, at this stage, its examination of the arrangement between HOT and the Company indicates that the restrictions included therein appear to significantly limit competition in a substantial part of the affected market and may materially harm competition.

Following continued discussions with HOT regarding the contemplated transaction, the Company and HOT notified the Competition Authority in September 2025 of the withdrawal of the exemption request. After continued discussions with HOT regarding the transaction, the Company and HOT notified the Competition Authority on September 11, 2025, of the withdrawal of the exemption request for the restrictive arrangement submitted in connection with the transaction.

Note 31 - Contingent Liabilities

A. Legal actions

The Group is involved in various legal proceedings arising in the ordinary course of business. Provisions for such claims are recorded only when the probability that a financial liability will be incurred exceeds 50% and when the amount of the liability can be reliably measured or reasonably estimated. The amount of the provisions recognized in the financial statements is based on an assessment of the level of risk associated with each claim, and events occurring during the course of the legal proceedings may require the reassessment of this risk. The Group’s assessment of risk is based both on the opinions of its legal advisors and on the Group’s estimate of the reasonable settlement amounts that the Company is expected to bear and that may be agreed upon by the parties to the proceedings. The provision included in the financial statements as of December 31, 2025 for all claims against the Group amounts to approximately NIS 62 million (compared with NIS 72 million as of December 31, 2024). For further information, see Note 16 regarding provisions.

Most of the lawsuits and the motions for approval of class certification that are filed against the Group are claims by customers of the Group, primarily for arguments regarding unlawful charges, conduct in violation 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 arguments of violation of law and breach of contracts (hereinafter: “Other Claims”)

Notes to the Consolidated Financial Statements

Note 31 - Contingent Liabilities (cont'd)

A. Legal actions (cont'd)

Following the reporting period, claim and a motion for approval as class action were filed against the Group, the amount of the claim was not specified. In

Described hereunder are the outstanding lawsuits against the Group as of 31 December, 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	98 ⁽¹⁾
Other Claims	59
Total	157

(1) 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 December 31, 2025, broken down by amount of the claim:

Claim amount	Number of claims	Total claims amount (NIS millions)
Up to NIS 100 million *	25	157
Unquantified claims	25	-
Unquantified claims against the Group and other defendants	5	-
Total	55	157

* Including 22 claims filed against the Group by employees, subcontractors, suppliers, authorities and others as of December 31, 2025, with a total amount of approximately NIS 59 million.

Notes to the Consolidated Financial Statements

Note 31 - Contingent Liabilities (cont'd)

B. Liens and guarantees

1. **Liens:** As part of issuance of the Series J to M debentures and the loan agreements which the Company entered into, the Company committed not to create liens on its assets, subject to certain exceptions.
2. **Guarantees:** The Group has given bank guarantees and others as of December 31, 2025 as follows:
 - A. To government institutions - NIS 25 million.
 - B. To suppliers and others - NIS 77 million.
 - C. Parent Company Guarantee in Favor of an Associate (1) limited in amount for bank credit and electricity purchase agreements to approximately 74 million NIS. (2) Not limited in amount for additional electricity purchase agreements, with the company's estimated exposure potential amounting to approximately 39 million NIS.

Note 32 - Regulation and Legislation

- A. The company recruits internet customers on (IBC and Bezeq) fiber infrastructure and on Bezeq's copper infrastructure. In December 2022, the Ministry of Communications published forecast indicators for the demand for data capacity on the Bezeq network, which are used to determine the wholesale market rates for the copper infrastructure. These indicators led to an increase in wholesale market rates in the copper infrastructure for 2023. In addition, the ministry published an update regarding the wholesale market rates for fiber infrastructure in the Bezeq network, which have increased relative to 2022. These rates were reduced by Bezeq as part of the understandings it reached with the Ministry of Communications in connection with the approval of its IRU agreement with Partner. In January 2025, the Ministry of Communications announced that the service rates set in the Telecommunications Regulations (Telecommunications and Broadcasting) Use of Public Network of 2014 will not be linked to the Consumer Price Index. According to the Ministry of Communications, linking to the index would result in an inappropriate payment for usage in 2025, and the Ministry is in an advanced process of setting new payments based on an updated model.

Further to the hearing published by the Ministry of Communications in July 2025 regarding the establishment of maximum payments in the wholesale market, in February 2026 the Ministry published its final decision on the matter. Under the decision, among other things, updated wholesale tariffs were set for the use of Bezeq's advanced network (fiber – for certain speeds), reflecting a significant reduction compared with the current tariffs (the “regulated price”). These tariffs will remain in effect, for the large communications groups (those with more than 300,000 retail internet subscribers — the Group is included in this category as of this date, the “Large Companies”), until August 31, 2028. The decision also establishes a maximum quantity for which Bezeq will be required to provide wholesale telecommunications services at the regulated price. This quantity is determined based on the number of residential units that have access solely to Bezeq's infrastructure, multiplied by the retail internet market share of the relevant company (including fiber-based and copper-based services, and only among the Large Companies).

Notes to the Consolidated Financial Statements

Note 32 - Regulation and Legislation (cont'd)

This quota will change in accordance with any changes in the number of such residential units, and exceeding the quota will be possible with the approval of the Ministry of Communications (the “calculated quota”). This obligation will also apply to the HOT Group. Following this period (i.e., beginning September 1, 2028), Bezeq will be required to allow the Large Companies to use wholesale infrastructure lines up to the calculated quota, at a tariff to be determined by agreement between the parties, subject to applicable law. In addition, the decision includes a significant reduction in the wholesale tariffs for the use of the traditional (copper) networks of both Bezeq and HOT, compared with the tariffs that applied prior to the publication of the decision.

- B.** In March 2020 the Ministry of Communications informed the Group and an additional cellular operator that they are required to switch from the 850 MHz frequency band that was allocated to them, to the 800 MHz frequency band, so that they shall resemble the European standards and the region where the State of Israel is located. As of the date of the report, the group’s bandwidth in the 850 MHz frequency band was reduced from 10x2 MHz to 5x2 MHz, and it was moved to a substitute band. In accordance with the proposed frequency allocation plan announced by the Ministry of Communications to the company in November 2024, the Ministry intends to consider allocating a bandwidth of 2x10 MHz frequencies in the 800 MHz frequency band on a temporary basis, and instead cancel the frequency band in the 850 MHz range. According to the Ministry of Communications, these allocations will expire on December 31, 2030. In addition, in a decision published by the Ministry in April 2025, the Ministry announced that it had decided to allocate to the Company, upon submission of a request, 10 MHz in the 800 MHz frequency band, under a trial framework, through the end of 2025. As of the publication date of this report, the frequencies have not yet been allocated, and the Company is engaged in discussions with the Ministry regarding the allocation framework.

The completion of the aforementioned frequency migration will require significant investments and the replacement of radio equipment at most of the Group’s cellular sites. This process is expected to take several years. The Company has provided the Ministry with its position regarding the proposed framework and is engaged in ongoing discussions with the Ministry in order to obtain engineering and economic certainty regarding the framework.

- C.** In December 2020, the Communications Law was amended to update the fiber-optic deployment obligations and service obligations of general license holders that operate their own infrastructure (who were previously required to carry out universal deployment of any network they deploy). The amendment also introduces incentives to encourage infrastructure deployment in areas where no deployment obligation applies, based on economic feasibility criteria. The primary impact on the Group is the imposition of an additional levy of 0.5% of its annual revenue (as defined), beginning in 2021 and continuing until the deployment obligation has been determined for each of the incentive zones. On December 31, 2024, a Telecommunications Order was published in the Official Gazette, stipulating that for 2024, the payment rate of an obligated entity (including the Company) to the Incentive Fund shall be 0% of its taxable income as defined. On December 31, 2025, the Telecommunications (Telecommunications and Broadcasting) (Annual Payment Rate to the Incentive Fund for 2025) (Temporary Provision), 5786-2025 Order was published in the Official Gazette, stipulating that for 2025, the payment rate of an obligated entity (including the Company) to the Incentive Fund shall be 0% of its taxable income as defined. The enactment of these Orders exempts the Company from payments of approximately NIS 21 million and NIS 20 million (before tax) for 2025 and 2024, respectively.

Notes to the Consolidated Financial Statements

Note 32 - Regulation and Legislation (cont'd)

- D.** In June 2021 the Ministry of Communications decided to shut down the 2G and 3G networks by the end of 2025. The company is preparing to discontinue service in the aforementioned old technologies. Additionally, the Ministry of Communications has ordered the extension of the frequency bands allocated for 2G and 3G technologies to be used for more advanced technologies until the end of 2030. In this context, in June 2023, the Ministry of Communications published an amendment to the company's cellular license, allowing the company, subject to approval, to continue providing service to subscribers with Machine-to-Machine (M2M) equipment operating on old technologies until December 31, 2028, with a limited bandwidth of no more than 1.2 MHz. On July 4, 2024, the Ministry of Communications granted the aforementioned approval. Additionally, starting January 1, 2027, the company may apply to the Ministry of Communications for another extension of the service period for the aforementioned subscribers until December 31 2023.

On December 30, 2025, the Ministry of Communications decided, among other things, that the Company may continue to provide service using the legacy technologies until January 31, 2026. Beginning February 1, 2026, the Company will be permitted to continue providing service using the legacy technologies only in frequency bands above 1,000 MHz (and may, accordingly, notify the Ministry of Communications of the specific date on which it intends to shut down these technologies).

The decision further provides that from February 1, 2026 until no later than March 29, 2026, the Company may continue providing service to subscribers using legacy end-user equipment through the 3G network operating in the 850 MHz band, at a limited number of sites as determined.

In addition, considering the approval granted to the Company to provide M2M service on its 2G network as described above, the Company shall continue to provide 2G voice services for emergency calls only (subject to the conditions set out), during the period from January 1, 2026 through December 31, 2028.

In accordance with the Ministry's decision, the Company notified the Ministry of Communications of its intention to shut down the 2G service during March 2026, and it continues to operate the 3G network solely using the 2100 MHz frequencies.

- E.** Under the Telecommunications (Telecommunications and Broadcasting) (Payments for Interconnection) Regulations, 1982, a gradual reduction framework was established for interconnection fees for calls terminating on the networks of a cellular operator or a fixed-line domestic operator.

Under this framework, the maximum interconnection tariffs for calls have generally been reduced such that, beginning in June, each operator bears its own costs and, as a rule, no interconnection payments are made for call minutes.

With respect to international calls, regulatory oversight has been removed from the segment relating to the termination of incoming international calls, while outgoing international calls are subject to the same gradual reduction framework described above.

Notes to the Consolidated Financial Statements

Note 32 - Regulation and Legislation (cont'd)

- F. In July 2023, the Ministry of Communications passed a resolution and the Company's license was amended so as to allow third parties that are not cellular companies ("Entrepreneurs") to establish a radio center infrastructure (cellular sites) and rent them to the cellular companies, so long as such sites are activated and maintained solely by cellular companies, with such use being incremental to the coverage obligations set in the companies' licenses. The Ministry's ruling also stated that in order to establish and rent such a radio infrastructure, the entrepreneurs will be required to receive an appropriate license from the Ministry of Communications and meet the terms and restrictions. In September 2024, the Ministry of Communications published a supplemental hearing, the purpose of which was to present the rules the Ministry intended to establish for implementing the objectives of its July 2023 decision. The supplemental hearing proposed, among other things, to allow an infrastructure contractor ("Initiator") to own the equipment and to maintain it independently, as well as to allow a mobile network operator (MNO) to rely on an Initiator in order to fulfill its coverage obligations under the circumstances described in the hearing document.

In September 2025, the Ministry published its decision, and the Company's license was amended accordingly. The decision regulates the conditions under which the Company may use an Initiator's infrastructure and the manner in which such activities are to be registered with the Ministry. Under the decision, among other things, it was determined that: (1) The average volume of traffic carried over an Initiator's radio access nodes may not exceed 40% of the Company's total data traffic on its network. (2) The maximum volume of traffic carried over an Initiator's radio access nodes may not exceed 15% of the total traffic carried on the Company's network. (3) All data traffic on the Company's network must be transmitted solely via radio frequencies allocated to the Company or to the shared network. (4) The Company is prohibited from conditioning its engagement with an Initiator on the existence or absence of an engagement with another MNO license holder.

In addition, further conditions were established, including limitations on activity with Initiators that are not registered with the Ministry, and a requirement to obtain prior approval when engaging with an Initiator that is affiliated with a governmental entity or local authority.

- G. In April 2025, further to the supplemental hearing published by the Ministry of Communications in July 2024 regarding policy principles for the gradual shutdown of copper networks and the cancellation of the universal service obligation for copper networks in three phases, the Minister of Communications published a decision on the matter.

According to the decision, the policy principles for the gradual shutdown of the copper networks of Bezeq and HOT were outlined, with the networks to be phased out until their full shutdown in 2030, transitioning fully from copper infrastructure to fiber-optic infrastructure. Phase A addresses the exemption from copper deployment in newly built areas. Phase B addresses the gradual shutdown of copper networks once 85% of users in a given area receive service through fiber. Phase C addresses the shutdown of the remaining copper network infrastructure even if the 85% fiber-service threshold is not met in certain areas.

Notes to the Consolidated Financial Statements

Note 32 - Regulation and Legislation (cont'd)

- H. In August 2025, a comprehensive amendment to the Privacy Protection Law entered into force, significantly increasing companies' exposure in matters relating to privacy protection and information security. Amendment No. 13 to the Privacy Protection Law ("Amendment 13") grants broad enforcement powers to the Privacy Protection Authority (in this section, the "Authority"), including the ability to impose monetary sanctions. The amendment also expands the causes of action under which companies may be sued for compensation without proof of damage for violations of the law, and formally establishes reforms regarding the management and registration of databases. The key changes introduced under Amendment 13 include, among others: A requirement for certain entities to appoint a Data Protection Officer (DPO); Expanded transparency obligations regarding the collection of personal information; Expanded powers of the Authority, including the authority to impose monetary sanctions for violations of the Privacy Protection Law and its regulations, which may reach significant amounts; Expanded grounds for claims seeking compensation without proof of damage; and more. In accordance with Amendment 13, the Company has appointed a Data Protection Officer and has prepared for, implemented, and continues to implement the necessary actions required to comply with the applicable legal requirements.
- I. The Telegraph Order regulates the use of the electromagnetic spectrum and applies, among other things, to the use the Group makes of radio frequencies as part of its infrastructure. The establishment of a system that makes use of radio frequencies and its activation, is subject in accordance with the Telegraph Order to the issue of a license, and the use of radio frequencies is subject to the assignment and allocation of a suitable frequency. According to the Telegraph Order and resulting regulations, licensing fees and fees for the designation and allocation of frequencies are charged. In light of the current shortage of radio frequencies for the public's use in Israel (among other things due to the allocation of multiple frequencies for security use), the Ministry of Communications limits the number of licenses issue for the use of frequencies, and provides incentives for the efficient use of frequencies. Thus, in light of the shortage of frequencies as noted, the Ministry of Communications allows the sharing of cellular networks between MNOs, including shared use of operator frequencies (and the Joint Corporation operates within this framework).

According to the Telegraph Order and resulting regulations, the Company is required to make fixed monthly payments for the strip of frequency in its possession (in this section – "the Frequencies Fees"). Following and in connection with the 2020 Tender, subject to certain conditions and a limited period of time, the Telegraph Regulations were revised in such a manner that they established an arrangement for the decrease in frequency fees for existing frequencies ("the Discounts Arrangement"). According to its terms, the Discount Arrangement applicable to the Company ended over the course of October 2024. The Company is considering its steps in connection with the conclusion of the Discounts Arrangement. As of the publication of the report, the Discounts Arrangement has not been extended, and no other arrangement has been made, and therefore the Company is liable for frequency fees at higher sums, to a yearly total of 33 million NIS linked to the Consumer Price Index for the conclusion of the Discounts Arrangement.

Notes to the Consolidated Financial Statements

Note 33 - Related Parties

A. Balance sheet

	December 31 2025	December 31 2024
	NIS millions	
Current assets	<u>1</u>	<u>7</u>
Current liabilities	<u>3</u>	<u>1</u>

The balance of the debentures held by related and interested parties, which includes debenture held for public benefit through, among other things, provident funds, mutual funds and pension funds, as of December 31 2025 and 2024, is NIS 562 and NIS 767 million NV, respectively.

B. Transactions with related and interested parties executed in the ordinary course of business at regular commercial terms:

	Year ended December 31		
	2025	2024	2023
	NIS millions		
Income:			
Revenues	<u>26</u>	<u>20</u>	<u>19</u>
Expenses:			
Cost of revenues and other	<u>8</u>	<u>(2)</u>	<u>9</u>

Until May 13 2024, the Company was owned by DIC, and the Company's related party were classified in accordance with their belonging to the DIC Group. Starting from that date, following an agreement signed between DIC and the Fortissimo Capital Fund VI, LP ("Fortissimo") to sell all of DIC's holdings in the Company's shares, the Company has been under the control of Fortissimo, and the related parties have been reclassified in accordance with their affiliation to the Fortissimo Group.

In 2003, the Company engaged in a lease agreement with an interested party, Migdal Insurance and Financial Holdings Ltd. In November 2021 the Group extended the lease agreement for eight more years (from January 1, 2023 to December 31, 2030) only with respect to an area of 18,000 sqm serving the Company's headquarters and also with respect to underground parking areas. The Company has an option to extend the agreement for another period of 5 years. In light of reducing leased areas, rent and ancillary expenses decreased by approximately NIS 12 million per year, from 2021.

In February 2022 the Company engaged with an institutional entity (the "Lender") under an agreement for providing a credit facility of up to NIS 250 million, for a period of 24 months from the date of providing the credit facility (the "Credit Facility") that shall allow the Company to receive loans, per the Company's selection, not linked to any index. In August 2023, the Company extended the facility's period until August 2025 (in lieu of February 2024), under similar conditions, except for changes, which are immaterial to the Company to the terms of the loans (including shortening the period of the long-term loan which will be provided through a fixed interest rate track only to 4 years, and a certain increase in the interest rate on the loans, and in the facility non-usage fee).

Notes to the Consolidated Financial Statements

Note 33 - Related Parties (cont'd)

B. Transactions with related and interested parties executed in the ordinary course of business at regular commercial terms (cont'd):

For further see Note 18 (C), regarding Credit and Loans from Financial Institutions.

In the ordinary course of business, from time to time, the Group purchases, leases, sells and cooperates in the sale of goods and services or otherwise engages in transactions with entities that are members of the Fortissimo group or other interested or related parties.

The Group has examined said transactions and believes them to be on commercial terms comparable to those that the Group could obtain from/ provide to unaffiliated parties.

C. Key management personnel compensation

In addition to their salaries, the Group also provides non-cash benefits to executive officers (such as a car, medical insurance, etc.).

The Group has undertaken to indemnify the Group's directors and officers, as well as certain other employees for certain events listed in the indemnifications letters given to them. The aggregate amount payable to all directors and officers and other employees who may have been or will be given such indemnification letters is limited to the amounts the Group receives from the Group's insurance policy plus 30% of the Group's shareholders' equity as of December 31, 2001, adjusted for changes in the Israeli CPI.

In August 2020, an update was made to the release and indemnity letters granted to directors on behalf of the controlling shareholders and to those to be granted to officers as of such approval date, as follows: (1) it was set forth that the maximum indemnity amount shall not exceed an amount equal to 25% of the Company's equity according to its last consolidated financial statements before the date of paying the indemnity; and (2) it was set forth that the release shall not apply with respect to a decision or transaction in which a controlling shareholder of the Company or officer of the Company has a personal interest. This without derogating from the rights of directors and shareholders to which letters of release and indemnity were granted before the date of such approval.

In August 2023 the Company General Meeting, following the approval of the Company Remuneration Committee and Board of Directors, approved the renewal of letters of indemnification and exemption for Company officers who are serving and/or who may serve from time to time, who are Company controlling shareholders and/or in which the Company controlling shareholder may be considered an interested party in granting them, starting August 12 2023, with wording identical to the wording approved in August 2020.

In December 2024, the decision to grant indemnification and exemption letters to the company's officers (including directors) who are serving and/or will serve from time to time, who are the controlling shareholders of the company and/or whose controlling shareholder may be considered to have a personal interest in granting them, was approved and ratified, effective from May 13, 2024.

Executive officers also participate in the Group's share option program (see Note 21, regarding Share-Based Payments).

Notes to the Consolidated Financial Statements

Note 33 - Related Parties (cont'd)

C. Key management personnel compensation (cont'd)

Key management personnel compensation is comprised of:

	Year ended December 31		
	2025	2024	2023
	NIS millions		
Short-term employee benefits	5	9	5
Share-based payments	2	4	2
	<u>7</u>	<u>13</u>	<u>7</u>

D. Non-exceptional transactions

The Group contractually engages from time to time in the ordinary course of business, in negligible, non-exceptional transactions, with the controlling shareholder or in transactions in which the controlling shareholder has a personal interest in their approval, of the following types and characteristics: providing communication services, purchasing various services such as maintenance services for equipment and facilities used in the Company's operations, transportation services, security services, marketing services, services, management and maintenance services of buildings and rental of real estate.

According to Company protocols, in the absence of special quality considerations arising from all the case circumstances, such a transaction that is not an exceptional transaction will be considered a negligible transaction for the above purposes if the scope of the particular transaction does not exceed NIS 12 million and the transaction is less than 0.5% from the relevant quantifiable test among the following indices: asset ratio – the volume of assets subject to the transaction (assets acquired or sold) divided by the total assets in the Company's balance sheet; profit ratio – actual or projected profits or losses associated with the transaction divided by the average annual profit or loss (in absolute value) of the Company in the last twelve quarters ended before that transaction. For this purpose, "profit" or "loss" is: a net profit or loss attributed to shareholders in the parent company; sales ratio – the total sales subject to the transaction divided by the total annual sales of the Company; operating expenses ratio – the volume of expenditure subject of the transaction divided by the total annual operating expenses and the cost of end equipment and the ratio of liabilities – the liability subject of the transaction divided by the total liabilities in the balance sheet before the event.

Cellcom Israel Ltd.

Separate Financial Information

As at December 31, 2025

(Audited)

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with confidence

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

To: The shareholders of Cellcom Israel Ltd.

Dear Sirs,

Re: Special Independent Auditors' Report on the Separate Financial Information pursuant to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the accompanying separate financial information presented to Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 of Cellcom Israel Ltd. ("the Company") as of December 31, 2025. And for the year then ended.

In our opinion, the Separate Financial Information has been prepared, in all material respects, in accordance with Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

We conducted our audit in accordance with generally accepted auditing standards in Israel. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Information section of our report. We are independent of the Company, in accordance with the applicable legal provisions in Israel regarding independence and conflict of interest of auditors. Additionally, we have fulfilled our other ethical responsibilities in accordance with the Auditors' Law, 1955 and the regulations thereunder. We believe that the audit evidence we have obtained, including the reports of other auditors, is appropriate and sufficient to provide a basis for our opinion.

The board of directors and management are responsible for the preparation and fair presentation of the separate financial information in conformity with the provisions of Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, and for such internal control as the board of directors and management determine is necessary to enable the preparation of separate financial information that is free from material misstatement, whether due to fraud or error.

In preparing the separate financial information, the board of directors and management are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors and management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Our objectives are to obtain reasonable assurance about whether the separate financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue a special auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Israel will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial information.

As part of an audit in accordance with generally accepted auditing standards in Israel, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is appropriate and sufficient to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors and management.
- Conclude on the appropriateness of the use by the board of directors and management of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our special auditor's report to the related disclosures in the separate financial information or, if such disclosures are inadequate, to modify our opinion in the special auditor's report. Our conclusions are based on the audit evidence obtained up to the date of our special auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial information, including the disclosures, and whether the separate financial information has been prepared, in all material respects, in conformity with the provisions of Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

We communicate with the board of directors and management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

Separate Information on Financial Position

	December 31,	
	2025	2024
	NIS millions	
Current assets		
Cash and cash equivalents	293	246
Trade receivables	639	632
Current tax assets	-	6
Other receivables, includes derrivities	71	31
Current maturities of Loans to investees	56	22
Inventory	61	97
	<u>1,120</u>	<u>1,034</u>
Non- current assets		
Trade and other receivables	204	208
Property, plant and equipment, net	1,451	1,493
Intangible assets and others, net	422	429
Investments in equity accounted investees	2,145	2,391
Loans to investees and capital notes	274	330
Right-of-use assets, net	555	541
	<u>5,051</u>	<u>5,392</u>
	<u>6,171</u>	<u>6,426</u>
Current liabilities		
Current maturities of debentures	412	497
Short-term credit	200	200
Current maturities of lease liabilities	165	166
Trade payables and accrued expenses	588	684
Provisions	84	75
Current tax liabilities	50	-
Loans from investees companies	-	160
Other payables, including derivatives	246	280
	<u>1,745</u>	<u>2,062</u>
Non- current liabilities		
Debentures	942	1,348
Long-term lease liabilities	423	412
Provisions	28	24
Other long-term liabilities	9	2
Excess losses over the investment in an equity-accounted investee	9	-
Liability for employee rights upon retirement, net	13	12
Deferred taxes liabilities	167	114
	<u>1,591</u>	<u>1,912</u>
	<u>3,336</u>	<u>3,974</u>
Equity		
Total Equity	<u>2,835</u>	<u>2,452</u>
	<u>6,171</u>	<u>6,426</u>

The accompanying notes are an integral part of these Separate financial statements.

March 17, 2026

Date of approving the
financial statements

Yuval Cohen
Chairman of the board

Eli Adadi
CEO

Gadi Attias
CFO

Separate Information on profit or loss

	Year ended December 31		
	2025	2024	2023
	NIS millions		
Revenues	2,771	2,959	2,837
Cost of revenues	<u>(2,075)</u>	<u>(2,310)</u>	<u>(2,143)</u>
Gross profit	696	649	694
Selling and marketing expenses	(506)	(486)	(456)
General and administrative expenses	(215)	(211)	(200)
Credit profits (losses)	(5)	(2)	4
Other income (expenses), net	54	10	(4)
Operating income (loss)	24	(40)	38
Financing income	26	23	29
Financing expenses	(124)	(164)	(188)
Financing expenses, net	(98)	(141)	(159)
Gain from disposal of an equity accounted investee	386	-	-
Share in profit of investees companies	362	386	290
Profit before taxes on income	674	205	169
Taxes on income	(110)	(32)	(35)
Net profit	<u>564</u>	<u>173</u>	<u>134</u>

The accompanying notes are an integral part of these Separate financial statements.

Separate Information on Comprehensive Income or loss

	Year ended December 31		
	2025	2024	2023
	NIS millions		
Net profit	564	173	134
Other comprehensive income items that will not be transferred to profit or loss			
Re-measurement of defined benefit plan, net of tax	-	-	1
Total other comprehensive income, net of tax	-	-	1
Total comprehensive Profit	564	173	135

The accompanying notes are an integral part of these Separate financial statements.

Separate Information on Cash Flows

	Year ended December 31		
	2025	2024	2023
	NIS millions		
Cash flows from operating activities			
Net profit	564	173	134
Adjustments for:			
Depreciation and amortization	767	772	720
Share-based payments	19	16	24
Loss (gain) on sale of property, plant and equipment	2	-	-
Gain from disposal of an equity accounted investee	(386)	-	-
Tax on income	110	32	35
Financing expenses, net	98	141	159
Other expenses (income)	(5)	(6)	1
Share in profit of equity accounted investees	(362)	(386)	(290)
Changes in operating assets and liabilities:			
Change in inventory	36	(32)	-
Change in trade receivables and other receivables (including long-term amounts)	(45)	38	(49)
Change in trade payables, accrued expenses and provisions	(37)	114	29
Change in other liabilities (including long-term liabilities)	(44)	78	8
Receipt (payments) for derivative hedging contracts, net	(2)	(3)	14
Income tax paid	2	-	(1)
Net cash from operating activities	717	937	784
Cash flows used in investing activities			
Acquisition of property, plant and equipment	(365)	(422)	(390)
Acquisition of intangible assets and others	(189)	(186)	(207)
Change in current deposits	-	-	120
Proceeds from disposal of property, plant and equipment and other assets	1	-	-
Interest received	31	62	17
Proceeds of an accounted investee	520	-	-
Net cash used in investing activities	(2)	(546)	(460)

The accompanying notes are an integral part of these Separate financial statements.

Separate Information on Cash Flows (cont'd)

	Year ended December 31		
	2025	2024	2023
	NIS millions		
Cash flows used in financing activities			
Receipts for derivative contracts, net	1	-	2
Change in short-term credit	-	200	-
Repayment of debentures	(503)	(609)	(604)
Receipt from issuance of debentures, net of issuance costs	-	99	-
Dividend paid	(200)	-	-
Interest paid for leases	(31)	(29)	(28)
Interest paid for debentures	(77)	(77)	(89)
Receipts of loan from investees	330	175	292
Payment of principal of lease liabilities	(190)	(202)	(210)
Net cash used in financing activities	(670)	(443)	(637)
Changes in cash and cash equivalents	45	(52)	(313)
Cash and cash equivalents as at the beginning of the period	246	299	611
Effects of exchange rate changes on cash and cash equivalents	2	(1)	1
Cash and cash equivalents as at the end of the period	293	246	299

The accompanying notes are an integral part of these Separate financial statements.

Note 1- Basis of Preparation of the Financial Information

A. Definitions

"The company" – Cellcom Israel Ltd.

"Separate financial information" – separate financial information presented in accordance with regulation 9C to the securities regulations (Periodic and Immediate Reports) – 1970.

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, 2025 (hereinafter: "the consolidated financial statements").

"Investee companies" – Subsidiaries and investees.

"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 December 31, 2025, the Company has a working capital deficit of NIS 625 million (compared to NIS 1,028 million in 2024). 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. Main basis of Preparation of the Financial Information

Presented hereunder is financial information from the Group's consolidated financial statements as at December 31, 2025 (hereinafter – the consolidated financial statements), which are issued as part of the periodic reports, and which are attributed to the Company itself (hereinafter – separate financial information), and are presented in accordance with Regulation 9C (hereinafter – the Regulation) and the tenth addendum to the Securities Regulations (Periodic and Immediate Reports) – 1970 (hereinafter – the tenth addendum) regarding separate financial information of an entity.

The separate financial information does not constitute financial statements, including separate financial statements, prepared and presented in accordance with International Financial Reporting Standards (hereinafter: "IFRS") in general, and the provisions of International Accounting Standard 27 "Separate Financial Statements" in particular.

However, the accounting policies mentioned in Note 3 to the consolidated financial statements, regarding the main principles of the accounting policy, and the manner in which the financial data were classified in the consolidated financial statements, have been applied for the purpose of presenting this separate financial information, with the changes stated below.

The Notes provided below also include disclosures regarding additional material information, in accordance with the disclosure requirements stated in Regulation 9C and as detailed in the appendix and subject to clarification by the Authority's staff, insofar as such information refers the company itself is not included in the consolidated reports.

Note 1- Basis of Preparation of the Financial Information (cont'd)**D. Transactions between the company and its investees****1. Assets and liabilities included in the consolidated reports attributed to the Company itself**

The assets and liabilities amounts included in the consolidated financial statements on the financial position are presented neutralization of intercompany balances cancellation that was canceled in the consolidated statements, and which attributed to the company itself and are classified according to the types of assets and liabilities. These data classified in the same way as in the consolidated financial statements.

The aforesaid amounts of assets and liabilities reflect the assets and liabilities included in the consolidated financial statements, with the exception of the amounts of assets and liabilities in respect of investee companies, plus or minus, as the case may be, intercompany balances canceled in the consolidated financial statements.

In addition, a net amount is presented, based on the consolidated financial statements attributed to the Company's owners, of the total assets, less the total liabilities, presented financial information in the consolidated financial statements regarding investee companies, including goodwill.

The aforesaid presentation results in a way that equity attributed to the owners of the company, on the basis of the consolidated reports, is equal to the equity of the company as derived from the separate financial information.

2. Incomes and expenses included in the consolidated reports attributed to the Company itself

The income and expenses amounts included in the consolidated statements are presented by segmentation for statement of income and other comprehensive income, after neutralizing the cancellation of intercompany income and expenses canceled in the consolidated statements, attributed to the company itself, and detailed by the types of income and expenses. These data classified in the same way as in the consolidated financial statements.

The aforesaid amounts of income and expenses reflect the income and expenses included in the consolidated income statements and the consolidated statements of comprehensive income, except for amounts of income and expenses in respect of investees, plus or minus, as the case may be, intercompany income and expenses that was canceled in the consolidated financial statements.

In addition, a net amount is presented, based on the consolidated statements, attributed to the Company's owners, of the total income less total expenses, which presented in the consolidated statements the results of operations in respect of investee companies, including impairment or cancellation of goodwill. These data are presented while segmenting between statement of income and other comprehensive income.

The aforesaid presentation results in the total of both profit for the year attributed to the owner of the company and the total comprehensive profit for the year attributed to the owner of the company, based on the consolidated reports, being the same as the total profit for the year attributed to the company owner and the total comprehensive profit for the year attributed to the company, respectively, as derived from the separate financial inform

Additional Information to the Separate Financial Information**Note 1- Basis of Preparation of the Financial Information (cont'd)****D. Transactions between the company and its investees (cont'd)****3. Cash flows included in the consolidated reports attributed to the Company itself**

The cash flow amounts included in the consolidated statements, which are attributed to the Company itself, as stated in the consolidated financial statements of cash flows (ie, the balances of the amounts after the inter-company cash flows in the consolidated statements have been eliminated), Segmented by cash flow from operating activities, cash flow from investing activities, cash flow from financing activities and their components. In addition, as part of each of the aforesaid activities, the net intercompany cash flows presented separately. These data classified in the same way as in the consolidated financial statements.

The aforesaid amounts reflects the cash flows included in the consolidated financial statements, except for the amounts of cash flows in respect of investee companies.

Note 2 - Financial instruments**Liquidity Risk**

The following are the maturities of contractual financial liabilities and other non-contractual liabilities, including estimated interest payments and excluding the impact of netting agreements:

	December 31, 2025						
	Carrying amount	Contractual cash flow	1st year	2nd year	3rd year	4-5 years	More than 5 years
	NIS millions						
Debentures*	(1,386)	(1,480)	(461)	(372)	(362)	(146)	(139)
Short-term credit*	(209)	(218)	(9)	(209)	-	-	-
Trade and other payables	(740)	(740)	(740)	-	-	-	-
Lease liabilities	(588)	(689)	(185)	(136)	(103)	(152)	(113)
	<u>(2,923)</u>	<u>(3,127)</u>	<u>(1,395)</u>	<u>(717)</u>	<u>(465)</u>	<u>(298)</u>	<u>(252)</u>
	December 31, 2024						
	Carrying amount	Contractual cash flow	1st year	2nd year	3rd year	4-5 years	More than 5 years
	NIS millions						
Debentures*	(1,887)	(2,044)	(565)	(460)	(372)	(508)	(139)
Short-term credit*	(210)	(220)	(10)	(210)	-	-	-
Trade and other payables	(1,084)	(1,084)	(1,084)	-	-	-	-
Other long-term liabilities	(1)	(1)	-	(1)	-	-	-
Lease liabilities	(578)	(661)	(93)	(48)	(44)	(105)	(371)
	<u>(3,760)</u>	<u>(4,010)</u>	<u>(1,752)</u>	<u>(719)</u>	<u>(416)</u>	<u>(613)</u>	<u>(510)</u>

*Including accrued interest in the following year

Additional Information to the Separate Financial Information**Note 3 - Taxes on income**

	Year ended December 31		
	2025	2024	2023
	NIS millions		
Current tax expense			
Current year	54	-	-
Adjustments for prior years, Net	-	-	2
	<u>54</u>	<u>-</u>	<u>2</u>
Deferred tax expense			
Creation and reversal of temporary differences	56	32	33
	<u>56</u>	<u>32</u>	<u>33</u>
Tax on income	<u>110</u>	<u>32</u>	<u>35</u>

Note 4 – Property, plant, equipment, intangible assets

	Property, plant and equipment	Intangible assets
	NIS millions	
Cost		
Balance at January 1, 2024	6,560	1,754
Additions	397	185
Disposals	(115)	(34)
Balance at December 31, 2024	<u>6,842</u>	<u>1,905</u>
Additions	318	195
Disposals	(61)	(75)
Balance at December 31, 2025	<u>7,099</u>	<u>2,025</u>
Accumulated Amortization		
Balance at January 1, 2024	5,108	1,307
Amortization for the year	356	203
Disposals	(115)	(34)
Balance at December 31, 2024	<u>5,349</u>	<u>1,476</u>
Amortization for the year	358	202
Disposals	(59)	(75)
Balance at December 31, 2025	<u>5,648</u>	<u>1,603</u>
Carrying amount at December 31, 2024	<u>1,493</u>	<u>429</u>
Carrying amount at December 31, 2025	<u>1,451</u>	<u>422</u>

Additional Information to the Separate Financial Information**Note 5 - 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	
		December 31	
		2025	2024
		NIS millions	
Cellcom Fixed Line Communication L.P.	100%	1,437	1,622
Golan Telecom Ltd.	100%	502	450
Dynamica Cellular Ltd.	100%	206	205
I.B.C (Unlimited) Holdings L.P.	0%	-	121
Cellcom Energy (2023) L.P	50%	(9)	(7)
		<u>2,136</u>	<u>2,391</u>

*In October 2025, the transaction for the sale of the company's holdings in IBC, which had been accounted for using the equity method was completed. For further information regarding the transaction, see Note 30 F to the consolidated financial statements.

B. Management Fee

The Company has management services agreements with several subsidiaries. Total management fee income amounted to approximately NIS 3 million in each of 2025 and 2024.

In addition, the company and Cellcom Fixed Line Communication L.P. maintain ongoing settlement for salaries expenses, rent expenses and other expenses for which the Company undertakes for the partnership.

Due to this settlement, the company reduced its expenses in the years 2025, 2024 and 2023 by approximately 228 in each of the years.

C. Loans to investee companies

	Loans to investee companies as of	
	December 31	
	2025	2024
	NIS millions	
Loan to Golan Telecom Ltd. *	80	102
Capital Note - Golan Telecom Ltd.	250	250
	<u>330</u>	<u>352</u>

* 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.

Additional Information to the Separate Financial Information**Note 5 - Commitments, loans and significant transactions with Investees (cont'd)****D. Loans from investee companies**

	Loans from investee companies	
	as of	
	December 31	
	2025	2024
	NIS millions	
Short-term loan from Cellcom Fixed Line Communication L.P.	-	90
Short-term loan from Dynamica cellular Ltd	-	70
	<u>-</u>	<u>160</u>

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

E. Dividend's and share of profits from limited partnerships

	Year ended December 31	
	2025	2024
	NIS millions	
Dynamica Cellular Ltd.	73	89
Cellcom Fixed Line Communication L.P.	420	553
	<u>493</u>	<u>642</u>

Note 6 - Events during and after the reporting period**A. Dissolution of Cellcom Fixed-line Communications Limited Partnership**

On November 25, 2025, the Company's Board of Directors resolved to approve and proceed with the dissolution of Cellcom Fixed-Line Communications Limited Partnership (the 'Partnership') and the transfer of all of the Partnership's assets and liabilities to the Company, subject to the approval of the Ministry of Communications (including, if required, amendments to the Telecommunications Regulations (Bezeq and Broadcasting) (Procedures and Conditions for Obtaining a Unified General License), 2010);

- B. On March 10, 2025, Dynamica announced and distributed a dividend of NIS 73 million to its shareholders, which was paid on March 31, 2025. On March 2, 2026, subsequent to the reporting period, the board of directors of Dynamics Ltd declared a dividend distribution in the amount of NIS 40 million, which is expected to be paid on March 30, 2026;
- C. On November 24, 2025, the subsidiary, Cellcom Fixed Line Communications L.P ("the Partnership"), declared and distributed profits in the amount of approximately NIS 420 million to the company;

Additional Information to the Separate Financial Information

Note 6 - Events during and after the reporting period (cont'd)

- D. For information regarding the dividend distribution to the Company's shareholders, see Note 20 C To the Consolidated Financial Statements
- E. For information regarding the controlling owners of the company, see Note 1 A To the Consolidated Financial Statements;
- F. For information regarding the security situation in Israel, see note 1 B To the Consolidated Financial Statements;
- G. For information regarding the change in the useful life of fiber routers, see Note 2 D To the Consolidated Financial Statements ;
- H. For information regarding Maalot rating, see Note 18 B to the To the Consolidated Financial Statements;
- I. For additional information regarding Collective employment agreements, see Note 30 E To the Consolidated Financial Statements;
- J. For information regarding the transaction for the sale of the Company's holdings in IBC, see Note 30 F To the Consolidated Financial Statements.
- K. For information regarding an engagement in a memorandum of understanding with HOT in connection with the Company's activity in the field of television services, see Note 30 I To the Consolidated Financial Statements;
- L. For information regarding the incentive fund for fiber deployment, see Note 32 C To the Consolidated Financial Statements.

Chapter D

Additional Details About the Corporation

December 31, 2025

Regulation 9D – Statement of Liabilities

For the Company's Statement of Liabilities, see the Immediate Report that is published concurrently with the publication of this Periodic Report.

Regulation 10A – Condensed Statements of Comprehensive Income for Each of the Quarters of 2025

For details regarding the summary of comprehensive income data for each of the quarters, see Section 3.2 of the report of the Board of Directors attached to this report.

Regulation 11(1) and 11(2) – List of Investments in Subsidiaries and Related Companies

The following table presents the Company's investments in subsidiaries and material associated companies, as of the date of the Statement of Financial Position:

Company Name	TASE Share Number	Type of Share	Number of Shares	Total Par Value Held by the Company	Value in the Separate Financial Statement of the Company (NIS Million)	Holding Rate by the Company		
						Equity	Voting Rights	Authority to Appoint Directors
Cellcom Fixed Line Communications L.P.	Not Traded	-	-	-	1,437	100%	100%	100%
Golan	Not Traded	Ordinary of 0.01 NIS par value	21,664	217	502	100%	100%	100%
Dynamica	Not Traded	Ordinary of NIS 0.001 par value.	1,003	1	206	100%	100%	100%

Regulation 11(3) – Balance of Bonds and Loans Granted and Received by the Company to Subsidiaries and Material Associated Companies as of the Date of the Statement of Financial Position

Name of the Lending Company	Name of the Borrowing Company	Balance of Loans/Capital Notes As of 31.12.2025 (NIS Millions)	The Main Terms of the Loans
Company	Golan	330	The balance consists of: (a) a loan in the amount of NIS 80 million, half of which is index-linked and bears an interest rate of 1.85% per annum, and half of which is unlinked and bears an interest rate of 3.5% per annum. The loan was made in April 2017 for a period of 10 years and will be repaid in 6 equal semi-annual payments starting from the eighth year of the agreement period (interest and linkage differences that will accrue will be paid from the sixth year); and (b) capital notes in the amount of NIS 250 million. The capital notes are not linked and do not bear interest, and their repayment date is not before September 2025.

Regulation 12 – Changes in Investments in Subsidiaries and Material Associated Companies During the Reporting Period

During the Reporting Period, there were no changes regarding the Company's investments in subsidiaries and/or material associated companies.

Regulation 13 – Revenues of Material Subsidiaries and Associates and the Company's Income Therefrom

The table below presents the total comprehensive profit (loss) of the Company's material subsidiaries and associates (the profit figures are based on the consolidated financial statements of these entities), as well as the Company's income derived from them and received up to the date of the statement of financial position, for the year 2025 and for the period subsequent to the balance sheet date (in NIS millions).

Company Name	Profit for the Period	Total Other Comprehensive Income for the Period	Management Fee (Received until 31.12.2025)		Interest and Linkage Differences (paid) received until 31.12.2025)		Dividend ¹ (Received until 31.12.2025)	
			For 2025	For the Period After the Balance Sheet Date	For 2025	For the Period After the Balance Sheet Date	Year 2025	For the Period After the Balance Sheet Date
Cellcom Fixed Line Communications L.P.	235	235	-	-	(30)	-	-	-
Dynamica	74	74	1	-	(3)	-	73	-
Golan	71	71	2	-	6	7	-	-

Regulation 20 - Trading on the Stock Exchange

1. In the reporting year, there were no stock exchange trading halts on the Company's securities, except for one temporary trading halt.
2. During 2025, 5,424,160 unlisted options were exercised² and 171,130 restricted share units vested. As a result of such exercises and vesting, 1,977,372 ordinary shares were issued and admitted to trading.

¹ Cellcom Fixed Line Communications, L.P., is a limited partnership, and accordingly, it distributes its profits to the Company.

² The unregistered options were exercised through a net exercise mechanism (for details, see Footnote 5 below).

Regulation 21 – Remuneration of Interested Parties and Senior Officers in 2025

The table below sets forth the remuneration granted during the reporting year, as recognized in the financial statements for the reporting year, to each of the five highest-paid senior officers of the Company or a company under its control (including at least three senior officers of the Company itself), which was granted in connection with their service to the Company or a company under its control, as applicable (amounts in thousands of NIS):

Remuneration Recipient Details				Remuneration for Services								Other Remuneration			Total
Name	Title	Job Scope	Equity Holding Rate	Salary ³	Special Grant	Grant	Share-Based Payment ⁴	Management Fee	Consulting fees	Fee	Other	Interest	Rent	Other	
Eli Adadi ^(a)	CEO	100%	-	1,697		1,320	2,061								5,078
Efrat Madmoni ^(b)	VP Human Resources	100%	-	975	-	472	1,039								2,486
Gadi Attias ^(c)	Chief Financial Officer	100%	-	1,179		661	552								2,392
Teimuraz Romashvili ^(d)	VP Sales & International Operations	100%	-	1,248		632	390								2,270
Larisa Cohen ^(e)	VP Legal counsel and Regulation	100%	-	1,216	-	526	462								2,204

The following are additional details regarding the terms of office and employment of the senior officers listed in the table above:

- (a) **Mr. Eli Adadi** has served as CEO of the Company since August 15, 2024, and prior thereto, served as CEO of Dynamica, and VP of Retail at the Company (as of November 23, 2020). Mr. Adadi's employment agreement is for an unlimited period and may be terminated at any time by either party, with six months' prior notice. In respect of his tenure as CEO of the Company, Mr. Adadi is entitled to the following main conditions: (a) a monthly salary of NIS 110,000; (b) customary ancillary conditions, including vacation days, sick days, pension /executive insurance fund and advanced study fund; (c) a vehicle on behalf of the Company; (d) directors' and officers' liability insurance, indemnification and exemption as customary in relation to the Company's officers and directors; (e) the possibility of eligibility for an annual grant and a special grant in accordance with the terms of the Company's remuneration policy.

³ The salary component includes the following components: gross salary, social and related provisions as customary in the Company (such as vacation days, sick days, convalescence, executive insurance, advanced education fund, pension, severance pay, life insurance, disability insurance, social security payments, vehicle, medical insurance, telephone, taxable allowance for benefits, etc.).

⁴ The amount specified in the table above in the "Share-Based Payment" column expresses the expenses recorded in the Company's consolidated financial statements for the relevant period due to share-based remuneration, based on the fair value of the relevant options at the time of their granting, in accordance with the accounting principles in connection with share-based remuneration.

As part of the agreement, provisions were set regarding non-competition for a period of 12 months from the end of the employment period and regarding confidentiality.

On May 16, 2023 and July 13, 2023, pursuant to the approval of the Remuneration Committee and the Company's Board of Directors, the Company allocated to Mr. Adadi 276,658 and 477,519 options (unregistered) exercisable for 276,658 and 477,519 ordinary shares of the Company, respectively, according to the net exercise mechanism for employees dated March 10, 2022 and as amended and published on March 9, 2023 (Reference No.: 2023-01-025173) and in accordance with the Company's equity remuneration plan⁵, at a total value of approximately NIS 2,800 thousand. The options will vest in three equal portions after one, two, and three years from the date of their grant, as applicable.

On August 15, 2024, pursuant to the approval of the Remuneration Committee, the Company's Board of Directors and the General Meeting, the Company allocated to Mr. Adadi 800,000 options (unregistered) exercisable to 800,000 ordinary shares of the Company pursuant to a net exercise mechanism in accordance with the Company's equity remuneration plan⁶, at a total value of approximately NIS 3.67 million. The options will vest in four equal portions after one, two, three, and four years from the date of their grant.

For more details regarding the terms of Mr. Adadi's tenure and employment, see the Company's immediate reports from August 15, 2024, and September 22, 2024 (reference numbers 2024-01-088714 and 2024-01-604878, respectively) included in this report by reference. On March 17, 2026, the Company's Board of Directors approved (after receiving the approval of the Company's Remuneration Committee) an allocation of 800,000 (unregistered) options exercisable to 800,000 ordinary shares of the Company according to a net exercise mechanism in accordance with the Company's equity remuneration plan, valued at approximately NIS 8.1 million. The options will vest in three equal portions after one, two, and three years from the date of their grant. The Company will publish a summons report for its shareholders' meeting as well as a private proposal report shortly after the publication of this report, for the approval of the aforementioned allocation.

- (c) **Ms. Efrat Madmoni** serves as the Company's VP of Human Resources as of December 15, 2024. Ms. Madmoni's employment agreement is for an unlimited period and may be terminated at any time by either party, with three months' prior notice for the first three years of her employment and thereafter, six months' prior notice. In respect of her tenure as VP of Human Resources, Ms. Madmoni is entitled to the following main conditions: (a) a monthly salary of NIS 60,000 (linked to the Consumer Price Index); (b) customary ancillary conditions,

⁵ According to the net exercise mechanism, at the time of exercise, the offeree does not pay the exercise price but shares will be issued to him whose number will be determined according to the amount of the benefit to which the employee is entitled to derived from the number of options exercised, multiplied by the difference between the market price of the share at the time of exercise and the exercise price of the option.

⁶ See Footnote 5 above.

including vacation days, sick days, executive insurance and advanced study fund; (c) a vehicle on behalf of the Company; (d) directors' and officers' liability insurance, indemnification and exemption insurance as customary with respect to the Company's officers and directors; (e) the possibility of eligibility for an annual grant and a special grant in accordance with the Company's remuneration policy. As part of the agreement, provisions were set regarding non-competition for a period of 12 months from the end of the employment period and regarding confidentiality.

On December 12, 2024, pursuant to the approval of the Remuneration Committee and the Company's Board of Directors, the Company allocated to Ms. Madmoni 296,802 options (unregistered) exercisable to 296,802 ordinary shares of the Company according to the net exercise mechanism according to the employee outline dated March 10, 2022 (Reference No. 2022-01-028354) and in accordance with the Company's equity remuneration plan⁷, at a total value of approximately NIS 1.8 million. The options will vest in three equal portions after one, two, and three years from the date of their grant.

- (d) **Mr. Gadi Attias** serves as the Company's CFO as of March 1, 2022. The employment agreement of Mr. Attias is for an unlimited period and may be terminated at any time by either party, with a six-month prior notice. For his tenure as CFO, Mr. Attias is entitled to the following main conditions: (a) a monthly salary of NIS 70,000 (linked to the consumer price index); (b) customary ancillary conditions, including vacation days, sick days, executive insurance and advanced study fund; (c) a vehicle on behalf of the Company; (d) directors' and officers' liability insurance, indemnification and exemption insurance as customary in relation to the Company's officers and directors; (e) the possibility of eligibility for an annual grant and a special grant in accordance with the terms of the Company's remuneration policy. As part of the agreement, provisions were set regarding non-competition for a period of 12 months from the end of the employment period and regarding confidentiality.

On April 4, 2022, following the approval of the Remuneration Committee and the Company's Board of Directors, the Company allocated to Mr. Attias 471,157 options (unregistered) exercisable to 471,157 ordinary shares of the Company according to a net exercise mechanism in accordance with the Company's equity remuneration plan⁸, with a total value of approximately NIS 1.8 million. The options will vest in three equal portions after one, two, and three years from the date of their grant.

On August 13, 2025, pursuant to the approval of the Remuneration Committee and the Company's Board of Directors, the Company allocated to Mr. Attias 250,000 options (unregistered) exercisable to 250,000 ordinary shares of the Company according to a net exercise mechanism according to an outline for employees dated February 9, 2025 (Reference

⁷ See Footnote 5 above.

⁸ See Footnote 5 above

No.: 2025-01-009579) and in accordance with the Company's equity remuneration plan⁹, at a total value of approximately NIS 2.6 million. The options will vest in four equal portions after one, two, three, and four years from the date of their grant.

- (e) **Mr. Teimuraz Romashvili** serves as VP Sales and International Operations of the Company as of October 23, 2011. The employment agreement of Mr. Romashvili is for an indefinite period and may be terminated at any time by either party, with a six-month prior notice. For his tenure as VP of Sales and International Operations, Mr. Romashvili is entitled to the following main conditions: (a) a monthly salary of NIS 65,000 (linked to the Consumer Price Index); (b) customary ancillary conditions, including vacation days, sick days, executive insurance and advanced study fund; (c) a vehicle on behalf of the Company; (d) directors' and officers' liability insurance, indemnification and exemption insurance as customary with respect to the Company's officers and directors; (e) the possibility of eligibility for an annual grant and a special grant in accordance with the Company's remuneration policy. As part of the agreement, provisions were set regarding non-competition for a period of 12 months from the end of the employment period and regarding confidentiality.

On July 13, 2023, following the approval of the Remuneration Committee and the Company's Board of Directors, the Company allocated to Mr. Romashvili 477,519 options (unregistered) exercisable for 477,519 ordinary shares of the Company according to a net exercise mechanism for employees dated March 10, 2022 and as amended and published on March 9, 2023 (Reference No.: 2023-01-025173) and in accordance with the Company's equity remuneration plan¹⁰, at a total value of approximately NIS 1.8 million. The options will vest in three equal portions after one, two, and three years from the date of their grant.

Ms. Larisa Cohen serves as VP Legal Counsel and Regulation of the Company as of May 1, 2022 (initially, as VP Legal Counsel and Company Secretary, and since 2024 as VP Legal and Regulatory Counsel). Ms. Cohen's employment agreement is for an unlimited period and may be terminated at any time by either party, with six months' prior notice. In respect of her tenure as VP of Legal and Regulatory Advice, Ms. Cohen is entitled to the following main conditions: (a) a monthly salary of NIS 70,000 (linked to the Consumer Price Index); (b) customary ancillary conditions, including vacation days, sick days, executive insurance and advanced study fund; (c) a vehicle on behalf of the Company; (d) directors' and officers' liability insurance, indemnification and exemption insurance as customary with respect to the Company's officers and directors; (e) the possibility of eligibility for an annual grant and a special grant in accordance with the Company's remuneration policy. As part of the agreement, provisions were set regarding non-competition for a period of 12 months from the end of the employment period and regarding confidentiality.

⁹ See Footnote 5 above.

¹⁰ See Footnote 5 above.

On June 15, 2022, pursuant to the approval of the Remuneration Committee and the Company's Board of Directors, the Company allocated to Ms. Cohen 590,602 options (unregistered) exercisable to 590,602 ordinary shares of the Company according to the net exercise mechanism according to the employee outline dated March 10, 2022 (Reference No. 2022-01-028354) and in accordance with the Company's equity remuneration plan¹¹, at a total value of approximately NIS 1.8 million. The options will vest in three equal portions after one, two, and three years from the date of their grant.

On August 13, 2025, pursuant to the approval of the Remuneration Committee and the Company's Board of Directors, the Company allocated to Ms. Cohen 181,445 options (unregistered) exercisable for 181,445 ordinary shares of the Company according to a net exercise mechanism by outline for employees dated February 9, 2025 (Reference No.: 2025-01-009579) and in accordance with the Company's equity remuneration plan¹², at a total value of approximately NIS 1.8 million. The options will vest in four equal portions after one, two, three, and four years from the date of their grant.

Remuneration of Interested Parties

The directors who serve in the Company and who will serve in it from time to time are entitled to payment of participation remuneration and annual remuneration in an amount that is "the maximum amount" as determined in the Companies Regulations (Rules regarding Remuneration and Expenses for an External Director), 5760-2000 ("**Remuneration Regulations**") according to the rank of the Company as well as in accordance with the being of the director "an expert director" or not an expert. The directors are not entitled to a bonus or capital remuneration.

In respect of 2025, the Company paid all the directors a remuneration in the total amount of approximately NIS 2.4 million. These Remuneration Terms comply with the provisions of the Company's Remuneration Policy.

In addition, the directors serving in the Company from time to time shall be entitled to directors' and officers' liability insurance, indemnification, and exemption from liability, as is customary for the Company's officers and directors. For details, see regulation 29A below.

Regulation 21A - Controlling Shareholders

As of the date of publication of the report, the controlling shareholder in the Company is FF6-SEL, Limited Partnership. The controlling shareholder in FF6-SEL, Limited Partnership, is Mr. Yuval Cohen, I.D. 057794307, through Fortissimo Capital 6 Management (G.P.) Ltd. Pvt. Co. 516572047. Fortissimo Capital 6 Management (G.P.) Ltd. is the General Partner at FF6-SEL, Limited Partnership, as well as the General Partner at Fortissimo Capital Fund 6, L.P. 530278654 ("**Fortissimo Fund 6**").

¹¹ See Footnote 5 above.

¹² See Footnote 5 above.

Fortissimo Fund 6 is a limited partner in FF6-SEL, a limited partnership, and holds more than 50% of its equity rights.

Regulation 22 - Transactions With a Controlling Shareholder

The following is a breakdown, to the best of the Company's knowledge, of transactions with the controlling shareholder or that the controlling shareholder has a personal interest in the approval of them, including the Company, companies controlled by it or its related companies (hereinafter in this Section: the "**Group**") called in the reporting year or at a later date at the end of the reporting year and until the date of submission of the report or they are still valid at the date of the report:

a. Transactions Listed in Section 270(4) of the Companies Law,-1999 (the "Companies Law"):

For details about exemption, indemnification and insurance arrangements granted to directors serving in the Company on behalf of its controlling shareholder, see regulation 29A below.

b. Transactions that Are Not Listed Under Section 270(4) of the Companies Law and Are Negligible

The Group engages or may engage from time to time in the ordinary course of business, in negligible, non-extraordinary transactions, with the controlling shareholder or in transactions that the controlling shareholder has (or may have) a personal interest in their approval, of the types and characteristics, including the following: provision of communication services and related services and equipment, purchase of various services such as maintenance services for equipment and facilities used in the Company's activities, rental of real estate assets and operation of gyms, parking and parking services, and car wash services.

According to the Company's procedures, in the absence of special qualitative considerations that arise from the circumstances of the case, such a transaction that is not an exceptional transaction will be considered as a negligible transaction for the aforementioned needs, if the scope of the particular transaction does not exceed NIS 12 million and the transaction is at a rate of less than 0.5% of the relevant quantitative test among the following indices: Asset ratio – the scope of assets subject matter of the transaction (assets acquired or sold) divided by the total assets in the Company's balance sheet; Profit ratio – actual profits or losses or projected losses associated with the transaction The Company's average annual profit or loss parts (absolute value) in

the last twelve quarters ended before that transaction. In this regard, "profit" or "loss" is: net profit or loss for the year attributable to shareholders in the parent company; sales ratio – the total sales subject of the transaction divided by the total annual sales of the Company; operating expenses ratio - the scope of the expense subject of the transaction divided by the total annual operating expenses and the cost of end equipment and liabilities ratio – the liability subject of the transaction divided by the total liabilities in the balance sheet prior to the transaction.

For more details, see Note 33 to the Financial Statements.

Regulation 24 – Holdings of Interested Parties and Senior Officers in the Corporation

For details about the holdings of interested parties and senior officers in securities of the Company near the date of the report, to the best of the Company's knowledge, see the immediate report of the Company dated January 7, 2026 (reference number: 2026-01-004056), which is included in this report by way of reference.

Regulation 24A - Registered Capital, Issued Capital and Convertible Securities

For details regarding the registered capital and the issued and paid-up capital of the Company, including regarding convertible securities, see Note 20 to the financial statements.

Regulation 24B - Register of Shareholders

For details regarding the register of holders of shares of the Company, to the best of the Company's knowledge, see the immediate report of the Company dated 5 March 2026 regarding capital position, granting rights to purchase shares and securities registrars of the corporation and the changes in it (reference number: 2026-01-020064) included herein by reference.

Regulation 25A - Registered address, telephone, and e-mail

Registered address of the corporation: 10 Hagavish St., P.O.Box 4060, Netanya.

Phone Number: 052-9989595.

E-mail: Cellcom_sec@cellcom.co.il

Regulation 26 - Directors of the Corporation

For details regarding the directors who serve in the Company at the time of publication of the report, see **Appendix A**, attached to this report.

Regulation 26A - Senior Officers

For details regarding the senior officers serving in the Company who are not members of the board of directors, see **Appendix B**, attached to this report.

Regulation 26B – Sole Authorized Signatories

As of the date of the report, the Company has no sole authorized signatories.

Regulation 27 - The Auditor of the Corporation

Kost Forer Gabbay & Kasierer (EY), 144a Menachem Begin Rd., Tel Aviv-Yafo, 6492102.

Regulation 28 - Change in the Memorandum or Articles of Association of the Corporation

During the reporting period there was no change in the Company's incorporation documents.

On March 17, 2025, the Company's General Meeting approved amendments to the Company's Articles of Association, all as specified in an immediate report published by the Company on February 9, 2025 regarding the convening of the meeting (reference number: 2025-01-009560).

Regulation 29 - Recommendations and Resolutions of the Directors

- a. Recommendations of the Board of Directors before the General Meeting and resolutions of the Board of Directors that do not require the approval of the General Meeting
 - (1) Payment of a dividend or distribution, as defined in the Companies Law, in another way or distribution of bonus shares – there is none.
 - (2) Change of the registered or issued capital of the corporation – none.
 - (3) Modification of a memorandum or articles of association – see Regulation 28 above.
 - (4) Redemption of redeemable securities – none.
 - (5) Early redemption of bonds – none.
 - (6) A transaction that is not in accordance with market conditions, between the corporation and its interested party, except for a transaction of the corporation with its subsidiary – there is none.
- b. Resolutions of the General Meeting adopted contrary to the recommendations of the Board of Directors with respect to the matters specified in the Regulations – None.
- c. Resolutions of a Special General Meeting
 1. On March 17, 2025, the Company's General Meeting approved changes to the Company's Articles of Association. For details see the Company's immediate reports from February 9, 2025 and March 17, 2025 (References: 2025-01-009560, 2025-01-017716 and 2025-01-017720, respectively).
 2. On June 26, 2025, the Company's General Meeting, after receiving the approval of the Remuneration Committee and the Company's Board of Directors, approved (1)

the remuneration policy for the Company's officers for a period of 3 years from the date of the meeting and (2) the terms of office and employment of the Company's CEO, Mr. Eli Adadi. For details see the Company's immediate reports from June 12, 2025 and June 26, 2025 (reference numbers 2025-01-042336 and 2025-01-046019, respectively).

Regulation 29A - Company Decisions

a. Recommendations of the Board of Directors before the General Meeting and resolutions of the Board of Directors that do not require the approval of the General Meeting

- (1) Approval of actions under Section 255 of the Companies Law – None.
- (2) Action under Section 254(a) of the Companies Law that was not approved – None.
- (3) Transactions requiring special approvals under section 270(1) of the Companies Law, provided that this is an exceptional transaction, as defined in the Companies Law –

On March 18, 2025, the Company's Board of Directors decided, after receiving the approval of the Company's Audit Committee, to approve the provision of a parent company guarantee and an indemnity letter to Dalia Power Energies Ltd. (IPP) for the engagement of Cellcom Energy (2023) Limited Partnership (the "**Partnership**") (a partnership held by the Company at the rate of 50%) in an agreement to supply electricity to the Partnership's customers, without going into the question of the irregularity of the transaction, as a transaction in which the officers of the Company have a personal interest. For more details, see Note 30H to the financial statements.

- (4) Exemption, insurance or indemnity obligation, to an officer valid on the date of the report.

b. Directors' and Officers' Liability Insurance

On February 2, 2025, the Company's Remuneration Committee in accordance with the Company's Remuneration Policy and Regulation 1B1 of the Relief Regulations, approved the Company's engagement in an insurance policy for directors and officers, including officers who are controlling shareholders in the Company and/or their relatives (as shall be from time to time), for a period of 12 months from February 5, 2025 until February 4, 2026, which provides such directors and officers with insurance coverage with liability limits of up to fifty million dollars, plus reasonable legal expenses beyond the said liability limit. The premium for the policy for the current insurance period is lower than that paid by the Company for the insurance period of the policy that ended on February 4, 2024. The policy includes continued coverage without change in its terms even after the transfer of control of the Company. The terms of the policy (including the

premium and deductible) meet the criteria set forth in the Company's remuneration policy in relation to insurance of officers approved at the Company's shareholders' meeting in August 2023. The terms of the insurance policy, as stated, are identical in relation to all the officers and directors of the Company (including in relation to the CEO of the Company and in relation to the directors who serve on behalf of the controlling shareholder of the Company).

On February 3, 2026, the Company's Remuneration Committee in accordance with the Company's Remuneration Policy and Regulation 1B1 of the Relief Regulations, approved the Company's engagement in an insurance policy for directors and officers, including officers who are controlling shareholders in the Company and/or their relatives (as shall be from time to time), for a period of 12 months from February 5, 2026 until February 4, 2027, which provides such directors and officers with insurance coverage with liability limits of up to fifty million dollars, plus reasonable legal expenses beyond the said liability limit. The premium for the policy for the current insurance period is lower than that paid by the Company for the insurance period of the policy that ended on February 4, 2025. The policy includes continued coverage without change in its terms. The terms of the policy (including the premium and deductible) meet the criteria set forth in the Company's remuneration policy in relation to insurance of officers approved at the Company's shareholders' meeting in June 2025. The terms of the insurance policy, as stated, are identical in relation to all the officers and directors of the Company (including in relation to the CEO of the Company and in relation to the directors who serve on behalf of the controlling shareholder of the Company).

c. Obligation to Indemnify and Exempt Directors and Officers

The Company has granted letters of exemption and indemnification to directors and officers who serve and will serve in the Company from time to time, as well as to officers who serve or will serve from time to time, on behalf of the Company in other corporations which the Company holds the means of control over them (as defined in the Companies Law), directly and/or indirectly ("**Another Corporation**"), including to the Company's CEO.

As part of the indemnity and exemption letters, the Company undertook to indemnify the aforesaid for any liability or expense and/or reasonable litigation expenses, as specified in the indemnity letter, which will be imposed on them due to their actions as officers of the Company and/or officers or employees on behalf of the Company in another corporation, provided that the maximum amount of indemnification for financial liabilities imposed on the aforesaid according to a judgment (including a judgment given in a compromise or an arbitrator's judgment approved by the court) will not exceed (cumulatively for all officers, for a single case and cumulatively for all cases) an amount equal to the total insurance proceeds, which the Company will receive from time to time as part of any insurance of the responsibility

of officers of the Company, plus a total of 30% of the Company's equity according to the audited financial statements as of December 31, 2001, adjusted from time to time to the increase in the Consumer Price Index since that day (the "**Maximum Amount of Indemnity**"). It is clarified that the indemnity will apply beyond the amount to be paid (if and to the extent paid) as part of the directors' and officers' liability insurance that the Company has acquired or will purchase, from time to time.

In addition, as part of the indemnity and exemption letters, the Company exempted the aforesaid from any liability towards it (to the extent permitted by law), in relation to any damage caused to it by the aforesaid by their actions by virtue of being officers of the Company and/or officers or employed on behalf of the Company in another corporation, due to a breach of the duty of care (except for damage due to a breach of the duty of care in distribution) as defined in the Companies Law.

On August 12, 2020, the Company's General Meeting, following the approval of the Remuneration Committee and the Company's Board of Directors, approved the renewal of the granting of letters of exemption and indemnification in the same format as the serving directors and shall serve from time to time in the Company on behalf of the controlling shareholder of the Company for a period of three years. In this context, the wording of the letters of exemption and indemnity granted to the directors on behalf of the controlling shareholder as well as those granted to officers from the date of such approval onwards was updated as follows: (1) it was determined that the maximum amount of indemnity shall not exceed 25% of the Company's equity according to its last consolidated financial statements prior to the date of payment of the indemnity; and (2) it was determined that the exemption shall not apply in relation to a decision or transaction in which the controlling shareholder of the Company or any officer of the Company has a personal interest. All this without derogating from the rights of directors and officers to whom the letters of exemption and indemnity were granted prior to the date of such approval.

On August 21, 2023, the Company's General Meeting, following the approval of the Remuneration Committee and the Company's Board of Directors, approved the renewal of indemnification and exemption letters to officers of the Company who serve and/or will serve from time to time, who are the controlling shareholders of the Company and/or the controlling shareholder of the Company may be considered as having a personal interest in granting them, as of August 12, 2023, in a wording identical to the wording approved at the Company's General Meeting on August 12, 2020.

In light of the change of control of the Company on December 26, 2024, the Company's special general meeting approved and ratified, a resolution dated August 21, 2023, following the approval of the Remuneration Committee and the Board of Directors, the granting of indemnification and exemption letters to officers of the

Company (including directors) who serve and/or will serve from time to time, who are the controlling shareholders of the Company and/or the controlling shareholder of the Company may be considered as having a personal interest in granting them, including directors Yuval Cohen, Shmuel Barashi, Uri Zehavi, Hanan Gal Ezer and Richard Hunter, as of May 13, 2024, in the same wording approved at the Company's general meeting on August 12, 2020.

Yuval Cohen
Chairman of the Board of
Directors

Eli Adadi
CEO

Mar 17, 2026

Appendix A - Details Regarding Directors in the Corporation as of the Date of the Report¹³ (According to Regulation 26)

Director's Name	Yuval Cohen, Chairman	Ran Bukshpan	Samy Backlash ¹⁴
ID Number	057794307	57758740	012299764
Date of Birth	October 10, 1962	July 26, 1962	August 20, 1960
Address for the Presentation of Court Documents	30 Ha'arba'a Street, Tel Aviv	11 HaTzabar Street, Ramot HaShavim	6 HaShafim Street, Ra'anana
Nationality	Israeli	Israeli	Israeli
Membership in the Board Committees	No	Audit Committee, Remuneration Committee, Security Committee	No
Are They an External or Independent Director?	No	Independent Director	No
Commencement of Tenure as Director	Director – May 13, 2024 Chairman of the Board of Directors – May 19, 2024	26.12.2024	December 21, 2023
Do They Have Financial Accounting Expertise or Professional Competence?	Has accounting and financial expertise	Has accounting and financial expertise	Has accounting and financial expertise
Education	B.Sc. in Industrial Engineering, Tel Aviv University; M.B.A., Harvard University.	B.Sc. in Industrial Engineering and Management, Tel Aviv University.	B.A. in Accounting and Economics, Tel Aviv University; M.B.A. with a specialization in Finance, Bar-Ilan University.
Main Occupations in the Last 5 Years	2004-Present: Managing Partner and Founder of Fortissimo Capital. 2023-Present: Radware Ltd. (Chairman). 2011-Present: Kornit Digital Ltd. (Chairman). 2025-Present: Director Stratasys Ltd.	CEO of Rapac Ltd. until April 2024. CEO of Telrad Networks Ltd. until April 2019.	2010-Present: CEO at Backlash Consulting & Investments Ltd. 2010-Present: Lecturer in a course of directors and proper management of associations. 2015-Present: Member of the Appeal Committees at the Tel Aviv District Court. 2005-Present: Public representative in the Ra'anana Municipality and its committees. 2021-Present: Member of the Executive Committee of the veteran resident association in Ra'anana. 2022-Present: Member of the Board of Directors of the Beit Zimmerman Association. 2022 – 2023: Erica B-Cure Laser Ltd. (External Director). 2020 – 2021: CEO in the Israeli Knesset.
Within the Framework of Their Education and/or Occupation Over the Past 5 Years, Do They Have Experience, Expertise or Proficiency in the Field of Information Security or Cyber?		No	No
Other Corporations in which They Serve as Directors	Private companies in Fortissimo Capital's portfolio.	Baran Group Ltd. (External Director).	Noga – Electrical Systems Management Ltd., Ra'anana Water Corporation and Inrom Construction Industries Ltd. (Dovot), the Government Tourism Company

¹³ The order of the directors after the Chairman of the Board of Directors is in alphabetical order of the surnames.

¹⁴ Mr. Backlash is a Director who was recommended by the Company's Workers' Committee, in accordance with the provisions of the Collective Agreement in the Company that grants the Committee the right to recommend one Director to the Board of Directors.

Director's Name	Yuval Cohen, Chairman	Ran Bukshpan	Samy Backlash ¹⁴
Are They Employees of the Company, a Subsidiary, or an Associated Company of It, or an Interested Party Therein, and the Roles They Fulfill as Stated?	Yes. The controlling shareholder and partner at Fortissimo Capital, the controlling shareholder (indirectly) of the Company.	No	(Chairman of the Board of Directors). No
Are They Family Members of an Interested Party of the Company?	No	No	No
Does the Company Consider Them to have Accounting and Financial Expertise to Meet the Minimum Number Set by the Board of Directors Under Section 92(a)(12) of the Companies Law?	Yes	Yes	Yes

Director's name	Shmuel Barashi	Hanan (Noni) Gal Ezer	Shmuel Hauser
ID Number	057792913	302883335	053488342
Date of Birth	August 26, 1962	January 3, 1990	May 13, 1955
Address for the Presentation of Court Documents	30 Ha'arba'a Street, Tel Aviv	30 Ha'arba'a Street, Tel Aviv	19 Amirim Street, Savyon
Nationality	Israeli	Israeli	Israeli
Membership in the Board Committees	Security Committee	Security Committee	Audit Committee, Remuneration Committee, Security Committee and Exposures Committee.
Are They an External or Independent Director?	No	No	External Director
Commencement of Tenure as Director	May 13, 2024	May 13, 2024	March 29, 2019
Do They Have Financial Accounting Expertise or Professional Competence?	Has accounting and financial expertise	Has accounting and financial expertise	Has accounting and financial expertise
Education	B.A. in Economics and Accounting, Hebrew University; M.B.A., Hebrew University, and LL.B., Bar Ilan University.	B.A. in Business Administration and Accounting, Reichman University; M.B.A., INSEAD.	B.A. in Statistics and Economics, The Hebrew University of Jerusalem; M.B.A. in Finance, The Hebrew University of Jerusalem; Ph.D., Temple University (FL).
Main Occupations in the Last 5 Years	2004-Present: Partner at Fortissimo Capital	2020-Present: Partner at Fortissimo Capital 2017-2019: Strategic consultant at PWC/Strategy.	2006-Present: Deputy President of Ono Academic College. 1995-Present: Professor Emeritus of Finance, Ben Gurion University of the Negev. 2006-Present: Owner, CEO and Chairman of Narrative Ltd. 2022-Present: Chairman of Ash Bank Israel Ltd. 2020-2024: Consultant to eToro.
Within the Framework of Their Education and/or Occupation Over the Past 5 Years, Do They Have Experience, Expertise or Proficiency in the Field of Information Security or Cyber?			No
Other Corporations in which They Serve as Directors	Get Blend Ltd., Solcon Industries Ltd., Enarkon Technologies Ltd., Tuttnauer Ltd., Kramer Electronics Holdings Ltd., Sela Software Laboratories Ltd. and Rhenium Equipment for Research Laboratories Ltd., Rent It Residences Ltd., Accord Insurance Agency Ltd.	C.T.S. Ltd., Solidarity Ltd., Rehabilit Ltd., Afimilk Agricultural Cooperative Society Ltd., Sela Software Laboratories Ltd., M.G.A.R Holdings Group Ltd., Slopark Technologies Ltd.	G. City Ltd. (External Director).
Are They Employees of the Company, a Subsidiary, or an Associated Company of It, or an Interested Party Therein, and the Roles They Fulfill as Stated?	Yes, a partner in Fortissimo Capital, the controlling shareholder (indirectly) of the Company.	Yes, a partner in Fortissimo Capital, the controlling shareholder (indirectly) of the Company.	No
Are They Family Members of an Interested Party of the Company?	No	No	No
Does the Company Consider Them to have Accounting and Financial Expertise to Meet the Minimum Number Set by the Board of Directors Under Section 92(a)(12) of the Companies Law?	Yes	Yes	Yes

Director's name	Richard Hunter	Uri Zehavi	Varda Lieberman
ID Number	011179538	015573066	05369319
Date of Birth	August 24, 1969	December 31, 1981	February 1, 1948
Address for the Presentation of Court Documents	18 Degania Street, Ra'anana	30 Ha'arba'a Street, Tel Aviv	9 HaRav Nissim Street, Tel Aviv
Nationality	Israeli	Israeli	Israeli
Membership in the Board Committees	No	No	Audit Committee, Remuneration Committee and Options Committee.
Are They an External or Independent Director?	No	No	External Director
Commencement of Tenure as Director	May 13, 2024	May 13, 2024	March 29, 2019
Do They Have Financial Accounting Expertise or Professional Competence?	Has accounting and financial expertise	Has accounting and financial expertise	Has professional competence
Education	LL.B., College of Management Academic Studies (Rishon LeZion campus); M.B.A., INSEAD.	B.A. in Business Administration and Entrepreneurship, Reichman University; M.B.A., London Business School.	Bachelor's degree (B.Sc.) In Mathematics and Statistics, Master's degree (M.Sc.) Mathematics: Ph.D. in Mathematics from Tel Aviv University.
Main Occupations in the Last 5 Years	2014-Present: Partner at Green Lantern Group. 2015-Present: Holmes Place (Chairman).	2015-Present: Partner at Fortissimo Capital.	February 2022-Present: Deputy President for Academic Affairs, Reichman University. 2016-Present: Founder and head of the MBA program in Healthcare Innovation, Reichman University. 2012-Present: Head of Decision Making, Arison School of Business, Reichman University. 1995-Present: A faculty member (with the rank of professor) at the Arison School for Business, Reichman University. 1995-Present: Head of Mathematics and Statistics Studies, Reichman University. Was involved in providing lectures and workshops to organizations in all fields, on decision-making and risk management under conditions of uncertainty. Aquarius Engines (A.M.) Ltd. (External Director) until October 2022.
Within the Framework of Their Education and/or Occupation Over the Past 5 Years, Do They Have Experience, Expertise or Proficiency in the Field of Information Security or Cyber?			No
Other Corporations in which They Serve as Directors	Delta Galil Industries Ltd., Mediterranean Car Agency Ltd. (Sergeant), Green Lantern I, Green Lantern Consultants II Ltd., Green Lantern Management Ltd., Green Lantern Management II Ltd., Green Lantern Management III Ltd., Gad Dairies Ltd., Falco Ltd., A.G. Gilro Ltd., 911 Fashion Ltd., Marina Group Ltd., Yehiam Delicates Ltd., French Pastry Ltd., Yehiam Ltd., Parinib Ltd., Hollandia Sleep Engineering Center Ltd., Aeroplex for Better Sleep Ltd. and Saley Israel Ltd.	C.T.S. Ltd., Salt of the Earth Ltd., Gadot Biochemical Industries Ltd., Priority Software Ltd., M.G.A.R Holdings Group Ltd. and Slopark Technologies Ltd.	Director at Plus 500.
Are They Employees of the Company, a Subsidiary, or an Associated Company of It, or an Interested Party Therein, and the Roles	No	Yes, a partner in Fortissimo Capital, the controlling shareholder (indirectly) of the Company.	No

Director's name	Richard Hunter	Uri Zehavi	Varda Lieberman
They Fulfill as Stated?			
Are They Family Members of an Interested Party of the Company?	No	No	No
Does the Company Consider Them to have Accounting and Financial Expertise to Meet the Minimum Number Set by the Board of Directors Under Section 92(a)(12) of the Companies Law?	Yes	Yes	No

Appendix B - Details Regarding the Senior Officers of the Corporation as of the Date of the Report (According to Regulation 26A)

Office Holder Name	Eli Adadi	Gadi Attias	Larisa Cohen	Yaakov Trojman
ID Number	033141383	032217085	034211235	028464634
Date of Birth	August 26, 1976	May 5, 1975	July 22, 1977	March 10, 1971
Date of Commencement of Tenure	August 15, 2024	March 11, 2022	May 1, 2022	October 30, 2025
Position Held in the Company	CEO	CFO	VP Legal Counsel and Regulation	VP Business Customers
Position Held in a Subsidiary, Associated Company, or Interested Party in the Company	Director of Cellcom Holdings (2001) Ltd., Dynamica Communications Chain Stores Ltd., Netvision Ltd., Golan Telecom Ltd., Golan Telecom International Ltd., Golan Tel Communications (2011) Ltd., The Purple Community Ltd., Cellcom Energy G.P. Ltd. Acting CEO of Dynamica Communications Chain Stores Ltd. until February 2025.	Director at Cellcom Holdings (2001) Ltd., Golan Telecom Ltd., Golan Telecom International Ltd., Golan Tel Communications (2011) Ltd., CMG Network Management Ltd., Safeway - Data Protection Solutions Ltd. The Purple Community Ltd., Cellcom Energy G.P. Ltd., and Cellcom Fixed Line Communications Inc., Netvision Ltd.	Director of Dynamica Communications Chain Stores Ltd., Golan Telecom Ltd., Golan Telecom International Ltd. and Golan Tel Communications (2011) Ltd., Cellcom Energy G.P. Ltd.	No
Are They Family Members of a Senior Officer of the Company or Another Interested Party in the Company	No	No	No	No
Education	B.A. in Business Administration, Ben-Gurion University of the Negev; M.B.A. with a specialization in Marketing, Ben-Gurion University of the Negev.	B.A. in Accounting and Economics, The Hebrew University.	LL.B in Law and Social Sciences (Political Science) from the Hebrew University. LL.M. in Law, Tel Aviv University.	B.A. in Behavioral Sciences, Management and Economics, Ben-Gurion University of the Negev.
Practice in the Last 5 Years	2011-2024: CEO of Dynamica Network Communications Stores Ltd.	2019 - 2022 CFO in Northern Birch Ltd.	Until July 2022, Vice President, Legal Advisor and Company Secretary at Discount Investment Corporation Ltd. and Property and Building Corporation Ltd. Until July 2022, Director at Bartan Holdings and Investments Ltd. (Chairman), Epsilon Investment House Ltd. and investee companies of Property and Building Corporation Ltd. Until October 2020, Director at IDB Group USA Investment Corp. Until September 2020, Vice President and Corporate Secretary of IDB Development Corporation Ltd.	2021-2024 Deputy CEO of Sales at Partner Communications Ltd. ("Partner"). 2018-2021 VP Business Division and Partner Sales.
Within the Framework of Their Education and/or Occupation Over the Past 5 Years, Do They Have Experience, Expertise or Proficiency in the Field of Information Security or Cyber?	No	No	No	No

Office Holder Name	Avraham Grinman	Teimuraz Rumshvili	Victor Malka	Efrat Madmoni
ID Number	028498558	313974123	069478923	033407370
Date of Birth	May 23, 1971	January 1, 1979	August 7, 1956	October 1, 1976
Date of Commencement of Tenure	June 12, 2022	October 23, 2011	March 18, 2020	December 15, 2024
Position Held in the Company	VP Engineering	VP Sales and International Operations	CTO	VP Human Resources
Position Held in a Subsidiary, Associated Company, or Interested Party in the Company	Director at CMG Network Management Ltd.	-	Director at The Purple Community Ltd.	No
Are They Family Members of a Senior Officer of the Company or Another Interested Party in the Company	No	No	No	No
Education	B.A. in Business Administration with a specialization in Information Systems, College of Management Academic Studies. Executive M.B.A. (E.M.B.A.) in Business Administration, Bar-Ilan University.	B.A. in Economics and Management, Kyiv National Economic University.	B.Sc. in Mathematics, Technion – Israel Institute of Technology; M.Sc. in Operations Research and Systems Analysis, Technion – Israel Institute of Technology.	B.A. in Social Sciences, with a specialization in Management and Communication, The Open University of Israel. M.B.A. in Business Administration, with a specialization in Organizational Consulting, Ono Academic College.
Practice in the Last 5 Years	2020-2022 – Director of the Network Maintenance and Operations Division at Pelephone. Director of the network operations department in the Company until 2020.	2011 - 2020: VP Pre-Paid activity at the Company	2019 - 2020: Active Communications Consultant., 2012-2019: Director of the Information Systems Division in the Technology Division at Bezeq Israel Telecommunications Company Ltd.	2021-2024 Global Human Resources Manager at Amdocs Networks Ltd.
Within the Framework of Their Education and/or Occupation Over the Past 5 Years, Do They Have Experience, Expertise or Proficiency in the Field of Information Security or Cyber?	Yes. As part of his role as VP of Engineering, who is also in charge of information security in the Company.	No	Yes. In his capacity as VP of Information Systems.	No

Office Holder Name	Chananiya Gilead	Galit Shakalo Offenberg	Ronen Shelz	Yitzhak Ravid
ID Number	015315617	032756199	23077316	052761384
Date of Birth	July 14, 1979	February 25, 1978	November 9, 1967	August 24, 1954
Date of Commencement of Tenure	October 30, 2025	February 9, 2025	December 1, 2014	March 14, 2017
Position Held in the Company	VP of Private Service	VP of Retail	Accountant	Internal Auditor
Position Held in a Subsidiary, Associated Company, or Interested Party in the Company	No	CEO of Dynamica Communications Chain Stores Ltd.	No	No
Are They Family Members of a Senior Officer of the Company or Another Interested Party in the Company	No	No	No	No
Education	Graduate of Human Services, Sociology and Anthropology, University of Haifa. Certified in Human Services, University of Haifa.	Graduate in Statistics, Haifa University.	Graduate in Accounting and Business Administration, College of Management Academic Studies.	BA in Accounting and Economics, Tel Aviv University.
Practice in the Last 5 Years	Until October 2025 - VP of Business Development at Dynamica Network Communications Stores Ltd. 2024-2025 Service and Operations Consultant. 2022-2024 Head of the Headquarters and Operations Division at Partner Communications Ltd. 2021-2022 Director of the Planning and Control Budget Department at Cellcom Israel Ltd.	2020-2023 VP Customer Service at Partner and Director at Partner's subsidiary.	Company Accountant.	Managing Partner at Raveh Ravid & Co. CPA Firm.
Within the Framework of Their Education and/or Occupation Over the Past 5 Years, Do They Have Experience, Expertise or Proficiency in the Field of Information Security or Cyber?	No	No	No	No

**Annual report regarding the effectiveness of internal control over financial reporting and disclosure
pursuant to regulation 9B(a)**

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 of 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. Yaakov Trozman , VP Business Customer.
8. Avraham Grinman, VP of Engineering.
9. Hanania Gilad, VP of the Private Service Sector.
10. Galit Shakalo Offenber, VP of Retail.
11. Omer Harel, Head of Innovation and Digital Division.
12. Meni Dana, Head of Marketing and MarCom Division.

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 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.

The management, under the supervision of the Board of Directors, performed an examination and assessment of the internal control over financial reporting and disclosure in the Company and its effectiveness.

The assessment of the internal control over financial reporting and disclosure performed by the management, under the supervision of the Board of Directors included:

Mapping and identifying the accounts and business processes which the Company considers to be very material to the financial reporting and disclosure; Examining key controls and reviewing the effectiveness of the controls; Internal control components included control over editing and preparation of the financial statements and disclosures, entity level control, general controls over information technology and controls in business processes that were defined as very material on the financial reports such as: revenues, and goodwill.

Based on the assessment of the internal control performed by the management, under the supervision of the Board of Directors, as described above, the Board of Directors and the Management of the Company have concluded that the internal control over financial reporting and disclosure in the Company as of December 31, 2025 is effective and no material deficiencies and weaknesses were discovered.

Executive Statements

The statement of the CEO according to regulation 9B(d)(1)

I, Eli Adadi states as follows:

1. I have reviewed the annual report of Cellcom Israel Ltd. (hereinafter – the "**Company**") for the year 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 and 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, state that:
 - a. I 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. I 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. Assessed the effectiveness of the internal control over financial reporting and disclosure, and presented in this report the conclusion of the Board of Directors and the Management with respect to the effectiveness of the internal control as aforesaid as of the date of the reports.

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

Eli Adadi

CEO

Date: March 17, 2026

The statement of the highest ranking officer in finance according to regulation 9B(d)(2)

I, Gadi Attias states as follows:

1. I have reviewed the financial statements and other financial information included in the reports of Cellcom Israel Ltd. (hereinafter – the "**Company**") for the year 2025 (hereinafter – the "**reports**");
2. Based on my knowledge, the financial statements and other financial information included in 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 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 financial statements and other financial information included in the reports, which could reasonably adversely affect the Company's ability to gather, process, summarize and report financial data so as to cast doubt on the reliability of financial reporting and the preparation of financial statements in accordance with the provisions of the 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, state that:
 - a. I 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. I 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. Assessed the effectiveness of the internal control over financial reporting and disclosure, to the extent it relates to the financial statements and other financial information included in the reports as of the date of the reports; my conclusions with respect to my assessment as aforesaid were brought before the Board of Directors and the Management and are included in this report.

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

Gadi Atias, CFO

Date: March 17, 2026