

# **Chapter D – Additional Details About the Corporation**

## **1. Summary of the Quarterly Statements of Operations for the Year Ended December 31, 2004 (in NIS millions)**

	2004				
	<u>Total</u>	<u>Quarter 4</u>	<u>Quarter 3</u>	<u>Quarter 2</u>	<u>Quarter 1</u>
Revenues	9,269.8	2,775.5	2,473.5	2,011.6	2,009.2
Costs and expenses	7,878.3	2,492.4	2,127.0	1,648.9	1,610.0
Operating income	1,391.5	283.1	346.5	362.7	399.2
Financing expenses	217.5	80.9	67.9	38.0	30.7
Other expenses (income), net	(79.7)	29.2	(131.9)	(7.5)	30.5
Equity in losses of investee companies	134.8	4.1	1.4	64.4	64.9
Net earnings	620.8	103.9	242.7	106.3	167.9

## **2. Use of Proceeds from Securities with Reference to the Application of the Proceeds According to a Prospectus**

An offer for sale and issuance through a prospectus was published on May 24, 2004. The proceeds from the offering will be applied as decided by the Company from time to time in accordance with its needs, including, taking into account the necessity of replacing loans by early repayment. As at the date of approval of the financial statements, there has been no requirement to replace such loans (except for a loan of NIS 5 million which was repaid by the Company before its due date).

### 3. List of Investments in Subsidiaries and Affiliated Companies as at the Balance Sheet Date\*

Company name	Name of holder	Type of share	Number of shares	Total n.v.	Rate of holding in %	Adjusted cost in NIS thousands	Adjusted balance sheet value in NIS thousands
Pelephone Communications Ltd. <sup>1</sup>	Company	Ordinary NIS 1	302,460,000	302,460,000	100%	2,576,727	3,158,992
Bezeq International Ltd. <sup>2</sup>	Company	Ordinary NIS 0.1	1,000,000,000	100,000,000	100%	306,361	375,438
BezeqCall Communications Ltd.	Company	Ordinary NIS 1	35,537,220	35,537,220	100%	51,767	54,654
Aphrodite B.V. Amsterdam <sup>3</sup>	Company	Ordinary 1000 NLG	26.64	NLG 26,640	66.60%	0	0
DBS Satellite services (1998) Ltd <sup>4</sup> .	Company	Ordinary NIS 1	14,455	14,455	49.80%	1,603,601	240,303
Bezeq Online Ltd. <sup>5</sup>	Company	Ordinary NIS 1	85,000	85,000	100%	23,375	24,271
Bezeq Zahav (Holdings) Ltd. <sup>6</sup>	Company	Ordinary NIS 1	999,999	999,999	100%	2,560,089	2,560,089
GoNext Ltd. <sup>7</sup>	Pelephone	Ordinary NIS 0.1	100,000	10,000	100%	0	0
Walla! Communications Ltd. <sup>8</sup>	Bezeq International	Ordinary NIS 1	12,275,719	12,275,719	44.97%	74,003	14,418
BezeqCall Ltd. <sup>9</sup>	Company	Ordinary NIS 0.1	400,000,000	40,000,000	100%	0	3,904

<sup>1</sup> Through August 26, 2004, shares in Pelephone Communications Ltd. (hereinafter "Pelephone") were held by the Company and a company from the Shamrock Holdings of California Group (hereinafter "Shamrock") in equal shares – 50% each. On the aforementioned date, Bezeq exercised an option that it held to purchase Shamrock's holdings in Pelephone. Following exercise of the option, Pelephone is wholly owned by the Company.

<sup>2</sup> Bezeq International includes an investment of NIS 168,725 thousand which was extended as a CPI-linked shareholders' loan. The loan is interest-free, and its repayment date will be set ten years after the date of its receipt.

<sup>3</sup> Aphrodite B.V. Amsterdam was sold. The shares was transferred on February 3, 2005.

<sup>4</sup> DBS Satellite Services (1998) Ltd. includes an investment of NIS 1,603,601 thousand by means of loans. Of this, NIS 979,956 thousand in loans linked to the known CPI, NIS 177,447 is in loans linked to the known CPI and bearing 5.5% interest, and NIS 446,198 thousand is in loans linked to the known CPI and bearing 11% interest.

<sup>5</sup> Bezeq Online Ltd. includes an investment of NIS 1,048 thousand, extended as a shareholders loan. The loan is linked to the CPI and is interest-free.

<sup>6</sup> A loan was extended to the subsidiary Bezeq Zahav (Holdings) Ltd. for financing the purchase of debentures Series 4 and 5 as issued to it.

<sup>7</sup> On December 29, 2004, Pelephone Communications Ltd. and GoNext Ltd. agreed that the Company would waive and irrevocably relinquish a credit balance at its disposal at GoNext in the amount of NIS 64,970 thousand, less the current debit balance between the two companies.

<sup>8</sup> Walla! includes an investment of NIS 5,755 thousand in the form of shareholders' loans from Bezeq International. The loans are linked to the CPI and are interest-free. In March 2004, Bezeq International purchased 7,073,980 option warrants of Walla! in consideration of NIS 1,414 thousand, which was offset from the balance of the shareholders' loans. During 2004 Bezeq International exercised 3,786,940 warrants for a consideration of NIS 6,816 thousand, which was offset from the balance of the shareholders' loans. Following the exercise, the percentage of Bezeq International's holding in Walla! increased as shown above.

<sup>9</sup> BezeqCall Ltd. – an inactive company.

\* A. The process of voluntary liquidation of Bezeq Globe Ltd. was completed on January 31, 2005, after liquidation of all its overseas subsidiaries.

B. Adanet Business Group Ltd. – Adanet and its subsidiaries are in the process of a temporary liquidation or temporary receivership.

#### 4. Changes in Investments in Subsidiaries and Related Companies During the Report Period

Date of change	Essence of change	Company name	Reported amounts in NIS thousands
6.2004	Shareholders' loan *	Bezeq Zahav (Holdings) Ltd.	950,000
12.2004	Shareholders' loan	Bezeq Zahav (Holdings) Ltd.	1,608,181
12.2004	Linkage differentials	Bezeq Zahav (Holdings) Ltd.	1,908
8.2004	Purchase of shares	Pelephone Holdings	272,400
9.2004	Shareholders' loan	Pelephone Holdings	1,766,037
12.2004	Liquidation of company	Pelephone Holdings	(2,033,720)
12.2004	Investment in shares	Pelephone	2,033,720
12.2004	Deletion of investment account	Bezeq Globe	(1,987)
1.2004	Shareholders' loan	DBS	10,946
2.2004	Shareholders' loan	DBS	17,852
3.2004	Shareholders' loan	DBS	3,688
4.2004	Shareholders' loan	DBS	35,000
5.2004	Shareholders' loan	DBS	20,700
6.2004	Shareholders' loan	DBS	3,500
7.2004	Shareholders' loan	DBS	72,000
8.2004	Shareholders' loan	DBS	30,000
9.2004	Shareholders' loan	DBS	15,000
10.2004	Shareholders' loan	DBS	30,000
11.2004	Shareholders' loan	DBS	37,000
12.2004	Shareholders' loan	DBS	31,000
12.2004	Linkage differentials and interest	DBS	39,548
12.2004	Linkage differentials and interest	Bezeq International Ltd.	(337)

\* Subsequent to the date of the report and through the date the financial statements of the subsidiary Bezeq Zahav (Holdings) were published, 300 million nominal value Series 4 debentures were sold. The proceeds from the sale, NIS 325,750 thousand, were transferred to the Company by Bezeq Zahav (Holdings) as partial repayment of the loan.

**5. Revenues of Subsidiaries and Related Companies and Revenues of the Corporation therefrom as at the Balance Sheet Date (in NIS thousands)**

Company name	Earnings (loss) before tax	Earnings (loss) after tax	Dividend	Management fees	Interest
Pelephone Communications Ltd.	463,172	300,692	18,841	0	1,654
Bezeq International Ltd.	118,578	120,840	0	0	0
BezeqCall Communication Ltd.	3,554	3,500	0	0	0
BezeqCall Ltd.	0	0	0	0	0
DBS Satellite Services (1998) Ltd.	(365,884)	(365,884)	0	0	1,018
Bezeq Online Ltd.	(83)	72	0	0	1,005
Bezeq Zahav Holdings Ltd.	0	0	0	0	30,585
Walla!	3,611	3,611	0	0	0
GoNext	63	63	0	0	0

**6. Stock Exchange Trading – Listed Securities – Dates and Reasons for Termination of Trading**

Date	Security No.	Security name	Quantity	New balance
3.6.2004	2300051	Debentures Series 4	1,200,000,000	1,200,000,000
3.6.2004	2300069	Debentures Series 5	600,000,000	600,000,000
14.12.2004	2300069	Debentures Series 5	1,500,000,000	2,100,000,000

As at the date of publication of the periodic report, the subsidiary Bezeq Zahav (Holdings) Ltd. holds 100,000,000 debentures Series 4 and 2,050,000,000 debentures Series 5.

**7. Payment to Senior Officers**

Cost of salary	2004 reported amounts
Vice President – Headquarters Division	2,902,419 <sup>1</sup>
Deputy CEO	2,045,171 <sup>2</sup>
Director	1,346,565 <sup>3</sup>
Vice President – Headquarters Division	878,824 <sup>4</sup>
CEO	789,402

<sup>1</sup> Including payments for early retirement, NIS 2,147,242.

<sup>2</sup> Including payments for early retirement, NIS 1,300,435.

<sup>3</sup> Serves as Chairman of the Board of Pelephone Communications Ltd.

<sup>4</sup> Including payments for severance pay, NIS 172,926.

## 8. Salary and Benefits

- (A) In 2004, the members of the Board of Directors (except for the Chairperson and directors who are Company employees) received remuneration, salary and incidental expenses amounting to NIS 1,663 thousand (the compensation for directors at Pelephone is stated at the proportional part of the Company (50%) for the period in which Pelephone was proportionally consolidated).
- (B) The cost of the salaries of the CEO and the Chairperson in 2004 was NIS 1,574 thousand.

## 9. Shares and Convertible Securities Held by Interested Parties in the Corporation, a Subsidiary or an Affiliated Company, as Close as Possible to the Date of the Report

	Name of holder	Type of security	Quantity of convertible securities	Quantity of shares	Value in NIS par value	Percentage of holding in control and in equity %
1.	State of Israel	Ordinary		1,208,311,449	1,208,311,449	46.38
2.	Zeevi Communications Holdings Ltd.*	Ordinary		459,331,617	459,331,617.00	17.63
3.	DE Dirot Elite Ltd.**	Ordinary		3,097,697	3,097,697.00	0.12
4.	Barak Avraham (member of the Board)	Ordinary		30	30.00	

\* Zeevi Communications Holdings Ltd. holds 459,331,617 shares of Bezeq. On November 12, 2002, a receiver was appointed to this company, Adv. Alex Hartman, who is authorized to exercise the rights in respect of the Bezeq shares in accordance with the ruling and approval of the court. It should be noted that this company belongs to the Zeevi Group, and that another company of the same group, DE Dirot Elite Ltd., (as specified in Section 3) holds another 3,097,697 shares of Bezeq.

\*\* DE Dirot Elite Ltd. is a member of the Zeevi Group, where another company in the same Group, which is in receivership as aforesaid, holds 459,331,617 shares of Bezeq.

## 10. Registered Capital, Issued Capital and Convertible Securities

The registered capital is 2,625,000,000 shares of NIS 1 par value each.

The issued capital is 2,605,045,611 shares of NIS 1 par value each, having equal rights.

There are no dormant shares, there are no convertible securities.

## 11. Registered Address of the Corporation

Address: 15 Hatzvi Street, Jerusalem 91010

Telephone: 02-539-5333 (CEO) 03-626-2200 (Company Secretary)

Fax: 02-537-8184

Email: [shimonn@bezeq.com](mailto:shimonn@bezeq.com) (Company Secretary)

## **12. Directors of the Corporation**

- A. (1) Name: **Miriam (Miki) Mazar\*** ID No. 007160179  
(2) Date of birth: 20.10.1935  
(3) Address: 29 Leissin Street, Tel Aviv  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees:  
Organization, Billing/Computerization, Issuances/Privatization, Finance, Assets,  
Appointments (Chair), By-Laws, Security (Chair).  
(6) Outside Director: No  
(7) Employee of the Corporation, subsidiary, related company or interested party: Yes  
(Chairperson of the Board of Directors since 1.1.03)  
(8) Date of commencement of tenure as a director: 15.6.1998\*\*  
(9) Education and employment during the past five years and details of the corporations  
in which she serves as director: Academic, lawyer.  
D.B.S. Satellite Services (1998) Ltd.  
Telephone Communications Ltd.  
Since 2003 – Chairperson of the Board of Bezeq  
1984-2003 – Member of Tel Aviv-Yafo City Council  
1993-1999 – Head of Legal Services for the City Council  
1993-2003 – Chairperson of Tel Aviv-Yafo City Council  
12/1996-2003 – Chairperson of Dan Urban Association for Sewerage and Quality  
of the Environment  
1999-2003 – Chairperson of the Urban Corporations Committee – Tel Aviv-Yafo  
Municipality  
2001-2004 – Member of the Board of EL AL  
(10) Related to another interested party in the Corporation: No.  
\* Ends her term of office on 6.3.05.  
\*\* Except for a short break. Current term commenced on 6.3.02.
- B. (1) Name: **Dalit Braun** ID No. 022416929  
(2) Date of birth: 19.6.1966  
(3) Address: 6 Simtat Hatavor, Tel Aviv  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees:  
Billing/Computerization (Chair), Organization, Audit, Issuances/Privatization,  
Marketing, Investments and Strategy, Insurance  
(6) Outside Director: No  
(7) Employee of the Corporation, subsidiary, related company or interested party: No.  
(8) Date of commencement of tenure as a director: 18.9.2002  
(9) Education and employment during the past five years and details of the corporations  
in which she serves as director:  
M.B.A. – Tel Aviv University  
LL.M. – European Business Law, Anglia University, UK  
B.Sc. – Industry and Management, Technion  
Since 1996, CEO of RAD Binat Assets & Services  
Director at Bazukan Integrations Ltd.  
(10) Related to an interested party in the Corporation: No.

- C. (1) Name: **Avraham Barak** ID No. 3055795-3  
(2) Date of birth: 30.1.1950  
(3) Address: 11, Tidhar Street, Ramat Gan  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees:  
Audit, Finance (Chair), Assets, Marketing, Investments and Strategy, Appointments,  
Market Risk Management  
(6) Outside Director: No  
(7) Employee of the Corporation, subsidiary, related company or interested party: No.  
(8) Date of commencement of tenure as a director: 12.10.1997\*  
(9) Education and employment during the past five years and details of the corporations  
in which he serves as director:  
BA Economics and Computer Sciences – Bar Ilan University  
Pelephone Communications Ltd.  
Since 2001- CEO of Yisum Development & Research Co. at the Hebrew  
University of Jerusalem  
As CEO of Yisum, serves as a director in Novagali, Syndromex, Sensogenm  
Novia and DBT  
1995-1999 – Melrose Investments (Israel) Ltd. – private business  
Director at Melrose Investments (Israel) Ltd., Hagoshrim Kayaks Ltd., Newport  
Orchards Ltd., Ilanot Carmel Ltd., Ilanot Carmel Investments (1993) Ltd., Avraham  
Barak & Co. Consulting Services Ltd., Extra Maofim Ltd., Extra Capital Markets Ltd.,  
Emerald Management & Underwriting Ltd., Lightcom (Israel) Ltd., Lightcom S.A.  
(10) Related to an interested party in the Corporation: No.  
\* Except for a short break. Current term commenced on 9.4.02.
- D. (1) Name: **Benny Vaknin** ID No. 63127542  
(2) Date of birth: 5.12.1950  
(3) Address: 42 Hatayassim Street, Ashkelon  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees:  
Issuances/Privatization, Marketing, Investments and Strategy, Subscribers.  
(6) Outside Director: No  
(7) Employee of the Corporation, subsidiary, related company or interested party: Yes.  
(8) Date of commencement of tenure as a director: 9.4.2003  
(9) Education and employment during the past five years and details of the corporations  
in which he serves as director:  
B.A. Law – Tel Aviv University  
BA Economics and Business Administration – Hebrew University of Jerusalem  
1991-2003 – Mayor of Asheklon.  
Since 2003 – Chairman of the Board of Pelephone  
Director in M.Y. Holdings Ltd., Hahevra Lemeshek Vekalkala, Ashkelon Information  
Industries  
(10) Related to an interested party in the Corporation: No.
- E. (1) Name: **Yigal Cohen-Orgad\*** ID No. 7703143  
(2) Date of birth: 30.8.1937  
(3) Address: 9 Frenkel Street, Ramat Aviv, Tel Aviv  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees:  
Billing, Audit (Chair), Issuances/Privatization, Finance, Assets, Marketing,  
Investments and Strategy  
(6) Outside Director: Yes  
(7) Employee of the Corporation, subsidiary, related company or interested party: No.

- (8) Date of commencement of tenure as a director: 26.1.2004
- (9) Education and employment during the past five years and details of the corporations in which he serves as director:  
BA Economics and Education  
Chairman of the Executive Committee of the Judea and Samaria Academic College  
Director – Israel Electric Corporation  
Self-employed – Construction project manager
- (10) Related to an interested party in the Corporation: No.  
\* Director with accounting and financial expertise

- F.
- (1) Name: **Blanche Kay** ID No. 048202717
  - (2) Date of birth: 19.3.1930
  - (3) Address: 10 Mania and Israel Street, Tel Aviv
  - (4) Citizenship: Israeli
  - (5) Membership of Board of Directors Committees:  
Organization, Audit, Finance, Assets (Chair), Subscribers, By-laws, Security.
  - (6) Outside Director: Yes
  - (7) Employee of the Corporation, a subsidiary, related company or interested party: No.
  - (8) Date of commencement of tenure as a director: 23.11.2000\*
  - (9) Education and employment during the past five years and details of the corporations in which she serves as director:  
MGr Law Degree – Hebrew University of Jerusalem  
Since December 2002 – Chairperson of Judicial Appeal Committee – District Court  
Mediator in legal cases in various courts  
1973–1994 Judge (retired)  
Chair of the Public Committee for Investigation of the Functioning of the Second Authority for Radio and Television  
1995-1998 – Founder and President of the Israel-Jordan Chamber of Commerce, now a member of management.  
2000-2003 – Director, Dead Sea Shore Development Company  
From 2002 – Outside director of Optima Enterprise & Investments
  - (10) Related to an interested party in the Corporation: No.  
  
\* Except for a short break. Current term commenced on 26.1.2004.

- G.
- (1) Name: **Hava Shechter\*** ID No. 051907178
  - (2) Date of birth: 23.4.1954
  - (3) Address: 11 Ahimeir Street, Tel Aviv
  - (4) Citizenship: Israeli
  - (5) Membership of Board of Directors Committees:  
Issuances/Privatization (Chair), Billing/Computerization, Finance, Marketing, Investments and Strategy, Appointments, Market Risk Management (Chair), Insurance
  - (6) Outside Director: No
  - (7) Employee of the Corporation, subsidiary, related company or interested party: No.
  - (8) Date of commencement of tenure as a director: 17.11.1999\*\*
  - (9) Education and employment during the past five years and details of the corporations in which she serves as director:  
MBA - Tel Aviv University  
BA Economics – Tel Aviv University  
1996-1999 – Ramot Shechter & Co. Investment House Ltd.  
1999 – H. Schechter & Co. Investment House Ltd.  
Director in Tashan Ltd. and XOR Ltd.
  - (10) Related to an interested party in the Corporation: No.

\* Director with accounting and financial expertise.

\*\* Current term commenced on 18.11.2002.

- H. (1) Name: **Rachel Kremmerman-Meridor** ID No. 001464031  
(2) Date of birth: 30.7.1937  
(3) Address: 36 Be'eri Street, Tel Aviv  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees:  
Audit, Finance, Bylaws, Marketing, Organization (Chair)  
(6) Outside Director: No  
(7) Employee of the Corporation, subsidiary, related company or interested party: No.  
(8) Date of commencement of tenure as a director: 14.11.2001\*  
(9) Education and employment during the past five years and details of the corporations in which she serves as director:  
LLB – Hebrew University of Jerusalem  
MBA-MEI – Swinburn University, Australia  
Consultancy, management and publishing – private.  
1982-2004 – Director in Wood Veneer Concern – listed on the American stock exchange  
Director in Ramid – Mamgoret, Marzit Real Estate Management, Metrage – commercial space holding company, member of the plenum of Israel Broadcasting Association, Mifal Hapais – member of the Advisory Council  
(10) Related to an interested party in the Corporation: No.  
\* Except for a 3-month break. Current term commenced on 1.3. 2005.

- Notes: 1. At the General Meeting on December 7, 2004, Mr. Azriel Nevo was approved to serve as a director. As at the date of publication of the statements, the letter of appointment had not yet been received, as is required under Regulation 92(G) of the Company articles of association.  
2. On December 31, 2004, Ms. Shoshana Weinshel also served as director in the Company – Ms. Weinshel resigned her office on February 17, 2005.

### **13. Senior Officers of the Corporation**

1. Name: **Amnon Dick** ID No. 51770568  
Date of birth: 20.11.1952  
Position in the Company: President & CEO  
Position in a Subsidiary of the Company or in an interested party of the Company:  
Director of Pelephone Communications Ltd.  
Director of D.B.S. Satellite Services (1998) Ltd.  
Related to a senior officer or to an interested party: No  
Education and business experience over the past five years:  
BA Economics – Tel Aviv University  
MBA Business Administration – Tel Aviv University  
2001-2003 – Businessman and consultant to overseas companies  
1997-2001 – Chairman and CEO of Elite International.  
Date of commencement of tenure as an officer: 17.8.2003
2. Name: **Avi Patir** ID No. 007705866  
Date of birth: 10.10.1948  
Position in the Company: Deputy CEO  
Position in a Subsidiary of the Company or of an interested party of the Company:  
Director in BezeqCall Communications Ltd.  
Related to a senior officer or to an interested party: No  
Education and business experience over the past five years:  
BA Electrical and Electronics Engineering – Technion Haifa  
MA Electrical and Electronics Engineering – Columbia University, New York

2002-2004 – CEO America-Israel Paper Industries Group  
1996-2002 – CEO Barak International Services Company Ltd.  
Date of commencement of tenure as an officer: 16.5.2004

3. Name: **Ron Eilon** ID No. 059211772  
Date of birth: 27.5.1965  
Position in the Company: CFO  
Position in a Subsidiary of the Company or in an interested party of the Company:  
Director in Pelephone Communications Ltd.  
Director in D.B.S. Satellite Services (1998) Ltd.  
Related to a senior officer or to an interested party: No  
Education and business experience over the past five years:  
BA – Economics  
MBA – Finance  
Outside director in Otsarit  
1999-2003 – CFO at MIRS, Motorola;  
1996-1999 – Deputy Commissioner for Budgets, Ministry of Finance;  
Date of commencement of tenure as an officer: 2.3.2003
4. Name: **Ari Bronstein** ID No. 024455404  
Date of birth: 30.7.1969  
Position in the Company: VP Economics and Business Development  
Position in a Subsidiary of the Company or in an interested party of the Company:  
Director in Xpert Systems  
Director in Bezeq International Ltd.  
Related to a senior officer or to any interested party: No  
Education and business experience over the past five years:  
BA – Management and Economics  
MA – Accounting and Finance  
Stage One Venture Capital Fund – Chairman of Investment Committee  
Eurofund Venture Capital Fund – Member of Investment Committee  
Koor Tadiran Pensions – Outside director and Chairman of Investment Committee  
1999-2000 – Business Analysis Manager at Comverse  
Since 2000 – Manager of the Financing and Investment department of the Company  
Date of commencement of tenure as an officer: 7.1.2004
5. Name: **Michel Heibert** ID No. 068200203  
Date of birth: 26.10.1956  
Position in the Company: Deputy VP Engineering and Planning  
Position in a Subsidiary of the Company or of an interested party of the Company: None  
Related to a senior officer or to an interested party: No  
Education and business experience over the past five years:  
BA – Electronic Engineering – Ben Gurion University  
EMBA – Strategy – Hebrew University of Jerusalem  
2003-2004 – Manager of the Access Networks Engineering Division – Engineering and Planning  
Section – Bezeq  
1998-2003 – Manager of the Access Networks Division – Engineering and Planning Section –  
Bezeq  
Date of commencement of tenure as an officer: 12.8.2004
6. Name: **Raz Heiferman** ID No. 67614339  
Date of birth: 25.1.1949  
Position in the Company: VP Information Technology  
Position in a Subsidiary of the Company or of an interested party of the Company:  
Director of Bezeq On-Line Ltd.  
Related to a senior officer or to an interested party: No  
Education and business experience over the past five years:  
BA – Economics and Statistics  
MA – Business Administration.

1992-1997 – Contahal Ltd. Last position – Manager of the Technology and Software Engineering Division

Date of commencement of tenure as an officer: 16.3.1997

7. Name: **Rami Hazan** ID No. 058657354  
Date of birth: 28.5.1964  
Position in the Company: VP Sales and Marketing  
Position in a Subsidiary of the Company or of an interested party of the Company: None  
Related to a senior officer or to an interested party: No  
Education and business experience over the past five years:  
BA – Social Sciences – Open University  
2001-2004 – VP and Manager of the Customer Division at Bezeq International  
2000-2001 – VP Customer Service at Bezeq International  
1999-2000 – Manager of the Call Center Division at Beeper Communications Ltd.  
1997-1999 – Manager of Sales and Distribution CMS CompuCenter Ltd.  
Date of commencement of tenure as an officer: 1.11.2004
  
8. Name: **Danny Oz** ID No. 054299953  
Date of birth: 16.6.1956  
Position in the Company: Comptroller and Deputy CFO  
Position in a Subsidiary of the Company or of an interested party of the Company: Director in Bezeq International Ltd.  
Related to a senior officer or to an interested party: no  
Education and business experience over the past five years:  
BA – Economics and Accounting – Hebrew University of Jerusalem, Licensed CPA  
EMBA – Integrative Management – Hebrew University of Jerusalem  
Date of commencement of tenure as an officer: 1.9.1998  
As of September 1998 – Company Comptroller
  
9. Name: **Danny Friedman** ID No. 014684385  
Date of Birth: 17.9.1959  
Position in the Company: Internal Auditor  
Position in a Subsidiary of the Company or of an interested party of the Company: None.  
Related to a senior officer or to an interested party: No  
Education and business experience over the past five years:  
BA – Accounting – Hebrew University of Jerusalem  
BA – Economics and Statistics – Hebrew University of Jerusalem  
MA – Economics and Statistics – Hebrew University of Jerusalem  
CIA – Certified Internal Auditor (USA)  
CISA – Certified Information Systems Auditor (USA)  
1987-2004 – Chief Auditor, Finance at Bezeq.  
Date of commencement of tenure as an officer: 18.12.2003
  
10. Name: **Alik Romm** ID No. 054063938  
Date of birth: 8.5.1956  
Position in the Company: VP Management Resources  
Position in a Subsidiary of the Company or of an interested party of the Company: None  
Related to a senior officer or to an interested party: No  
Education and business experience over the past five years:  
BA – Social Science  
2001-2003 – VP at Keter Plastics;  
1999-2001 – CEO at ORS  
1992-1999 – VP Human Resources and Information Systems at Israel Chemicals Ltd.  
VP Human Resources and Information Systems of the Bromide Group  
Date of commencement of tenure as an officer: 1.12.2003

Note: The list of senior officers includes the office holders according to the definition of “holder of a senior position” in the Securities Regulations (Periodic and immediate reports), 5730-1970. The office holders who are not included under that definition but are included in the definition of an officer in the Companies Law, 5759-1999, are not included in the above list (even though they answer directly to the CEO), and they are: managers of operating divisions, General Counsel, Company Spokesperson and Company Secretary.

#### **14. The Auditors of the Corporation**

KPMG Somekh Chaikin – Certified Public Accountants (Isr.)  
Address: 17 Ha'Arba'a Street  
Millenium Tower KPMG  
Tel Aviv 64739  
Tel.: 03-684-8000

#### **15. Change in the Memorandum or Articles of Association**

On December 7, 2004, the General Meeting approved the amendment of Article 92(D) of the Company's articles of association, as follows: "After the words: 'on March 31, 1999' a comma will be added, after which the words 'except Regulation 6(3)' will be inserted."

#### **16. Recommendations and Resolutions of the Directors Concerning a Change in the Articles of Association (Board of Directors Resolution from November 4, 2004)**

Amendment to Article 92(D) of the Company's articles of association, as follows: "After the words: 'on March 31, 1999' a comma will be added, after which the words 'except Regulation 6(3)' will be inserted."

(This resolution was approved by the General Meeting on December 7, 2004.)

#### **17. Special Resolutions of the General Meeting**

**Appointment of outside directors: Ms. Blanche Kaye, Mr. Yigal Cohen-Orgad (resolution from January 26, 2004):** The General Meeting approved the appointment of Ms. Blanche Kaye and Mr. Yigal Cohen-Orgad as outside directors.

**Approval for making a commitment in respect of indemnity and insurance (resolution from May 13, 2004):**

- A. The Meeting granted the Company approval to make a commitment to officers in the Company who were company officers at the time a commitment was made, in respect of indemnity, or who were in office during the seven years preceding that date, to grant a loan for financing reasonable litigation expenses in a proceedings in which an officer is sued by another person, including a derivative action, the purpose of the proceeding being the imposition of personal liability for an act he performed in his capacity as an officer in the Company, subject to compliance with the terms set out in Section 3 of the letter of indemnity attached to the resolution and in Section 263 of the Companies Law, 5759-1999. The undertaking under this section is irrevocable.  
The loan will become a grant if a competent court does not impose liability on the officer in a preemptory decision. If the loan does not become a grant, the officer will be required to repay it plus linkage differentials based on the consumer price index, immediately if he is required by the Company, in writing, to do so.
- B. The Meeting granted the Company an approval to make a commitment to the officers that it would do its utmost to ensure that the insurance cover for events covered by an officers' insurance policy, which the Company took out in July 2003, would be maintained for seven years, provided that the cost of the insurance premium is reasonable. Agreements with insurers for the purchase of insurance policies as aforementioned, will be brought for the approval of the competent bodies of the Company (including the General Meeting), as required under any law.
- C. The Meeting granted the Company an approval to make an *a priori* commitment to officers in the Company, who were in office at the Company at the time a commitment was made, in respect of indemnity or who were in office during the seven years preceding that date, to indemnify them for any expense or financial liability which is imposed on an officer as a result of an act he performed in his capacity as an officer in the Company, due to a claim by a shareholder who held, at any time during the fours years preceding the date on which the commitment to indemnify was given, 15% or more of the issued share capital of the Company, in respect of events that occurred during the seven years that

preceded the commitment to indemnify. The indemnity will be given under the terms set forth in the notice of commitment to indemnify, which was attached to the resolution.

- D. The Meeting granted the Company an approval to make an *a priori* commitment to officers in the Company to indemnify them for any expense or financial liability which may be imposed on an officer following a proceeding which is brought against him relating to a prospectus of an offer for sale of the securities of the Company by the State of Israel and an issuance by the Company, which should have been published in May 2004. The indemnity will be given under the terms set out in the notice of commitment to indemnify, which was attached to the resolution.

**Approval for a one-time personal remuneration to the Chairperson (resolution from May 13, 2004):** The Meeting approved a one-time, personal remuneration for 2003 to the Chairperson of the Board in the amount of 1.2 salaries (NIS 49,385).

**Approval for an issuance of shares\* (resolution from May 13, 2004):** The Meeting approved an issuance of shares and/or securities convertible to shares up to the limit of the registered capital of the Company (19,954,389 shares) as part of the Company prospectus, which should have been published in May 2004.

(\* In the event, the issuance was not made.)

**Purchase of an officers liability insurance policy (resolution from September 14, 2004):** The General Meeting approved the purchase of an officers liability insurance policy from Clal Insurance Company Ltd., the main points of which were set out in the appendix to the resolution.

**Approval for remuneration to the Chairperson of the Board (resolution from December 7, 2004):** The Meeting approved remuneration to the Chairperson of the Board in the amount of two salaries (approximately NIS 90,000), as part of the resolution concerning remuneration for employees who participated in the preparation of the prospectus of the Company in May 2004.

**Approval for directors' remuneration (resolution from December 7, 2004):** The Meeting approved remuneration for directors (who are not outside directors) for participating in meetings of the Board of Directors and its committees in accordance with the Government Companies Regulations (Rules governing remuneration and expenses for outside directors in government companies), 5754-1994, as may be amended from time to time, and with a classification of a level 10 company. The remuneration per meeting, commencing February 2004, is NIS 1,185 (including VAT).

**Amendment of Article 92(D) of the Company's Articles of Association (resolution from December 7, 2004):** As aforesaid in Section 16 above.

**Approval for remuneration for the Chairperson of the Board (resolution from March 1, 2005):** The Meeting approved remuneration to the Chairperson of the Board in the amount of 1.2 salaries (approximately NIS 49,400).

**Election of directors (resolution from March 1, 2005):** The Meeting elected Ms. Rachel Kremmerman to serve as director in the Company.

## **18. Transactions Requiring Special Approvals**

**Injection of funds into D.B.S. Satellite Services (1998) Ltd. (resolution from March 30, 2004 amended on May 10, 2004):**

The approval of the overall investment framework of Bezeq in D.B.S. Satellite Services (1998) Ltd. ("DBS") beyond the investments approved by the Board of Directors up to the adoption of this resolution, is based on the findings of a report by the firm of consultants Singer & Even and the business plan, which was prepared by DBS's Management and presented to the Board of Directors. The investment will be approximately NIS 440 million (approximately 98 million dollars) and will be made gradually according to the needs of DBS as in its business plan, over a period of two years (until the end of 2005).

Continuing investments in DBS will be made by way of new shareholders' loans (preferable), linked to the CPI, bearing 11% annual interest. The Company will receive warrants per share. All of this will be performed within the framework of the existing agreements between the shareholders and DBS.

Note: Following this resolution, an additional resolution was adopted for a current injection of funds into DBS in accordance with the aforesaid framework approval, and on February 17, 2005, the Board of Directors adopted a resolution that it stands behind its resolution from March 30, 2004 (as amended on May 10, 2004), to continue to invest in DBS according to the approved business plan, together with other shareholders and financial institutions.

**Receipt of loan for the purpose of investing in DBS (resolution from January 20, 2005):**

The Company will obtain a loan from a institutional body in the amount of NIS 15 million (with an option to the lender to lend the Company an additional NIS 15 million within one year from the date of the loan). The Company will invest the loan in DBS, as part of the Company's shareholders' loans to DBS.

**Undertaking in respect of a loan from an institutional body to DBS (resolution from February 17, 2005):**

A commitment by the Company to repay the loan from an institutional body to DBS in the amount of NIS 15 million (with an option of an additional NIS 15 million). The commitment is contingent upon the occurrence of certain events, given a positive value of DBS according to a pre-determined formula. Performance of the transaction is subject to the execution of final agreements on the matter. This resolution replaces the resolution from January 20, 2005, set out above.

## **19. Valid Insurance Policies and Indemnities**

The Company has an officers' liability insurance policy. The insurance ceiling is \$ 150 million per event and for the period (twelve months), in addition to up to \$30 million for legal expenses in Israel.

During 2004 commitments were made to indemnify directors and officers in the following subjects:

1. Making a commitment of indemnity for any expense or financial liability which is imposed on an officer following a proceeding filed against him in respect of the Company's prospectus from May 2004. The indemnity will be given on the terms set out in the letter of commitment to indemnify, which was attached to the resolution.
2. Making a commitment to indemnify officers in the Company who were in office at the Company at the time the commitment to indemnify was made or who were in office during the seven years preceding that date, for any expense or financial liability imposed on an officer due to a claim by a shareholder who held, at any time during the four years preceding the date on which the commitment to indemnify was given, 15% or more of the issued share capital of the Company. The indemnity will be given on the terms set out in the notice of commitment to indemnify, which was attached to the resolution.
3. Making a commitment to officers in the Company who were in office at the Company at the time a commitment was made in respect of indemnity or who were in office during the seven years preceding that date, to grant a loan for financing reasonable litigation expenses in a proceeding in which he is sued by another person, including a derivative action. The loan will become a grant if a competent court does not impose liability on the officer in a peremptory decision.
4. Making a commitment to officers that the insurance cover for events covered by an officers' insurance policy, which the Company purchased in July 2003, will be maintained for seven years, provided that the cost of the insurance premium is reasonable.

It should be noted that in the past, the Company granted indemnity to officers in the following areas:

- A. A letter of indemnity in respect of the issuance through a prospectus from 1998.
- B. A letter of indemnity for a draft of the prospectus which was submitted to the Securities Authority in 1999.
- C. A letter of indemnity for Y2K risks.
- D. A letter of indemnity in respect of an issuance of shares, in everything relating to the framework agreement from January 13, 2002.

---

Date

---

"Bezeq" The Israel Telecommunication Corp. Limited

Name and title of the signatories:

Adv. Miriam (Miki) Mazar, Chairperson of the Board  
Amnon Dick, CEO