

## **Chapter 4 – Additional Details About the Corporation**

### **1. Summary of the Quarterly Statements of Operations for the Year Ended December 31, 2005 (In NIS millions)**

		2005			
	Total	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Revenues	11,099	2,760	2,839	2,727	2,773
Costs and expenses	9,782	2,496	2,489	2,390	2,407
Operating profit	1,317	264	350	337	366
Financing Expenses	(417)	(145)	(107)	(110)	(55)
Other Income (Expenses)	109	(21)	(22)	65	88
Equity in losses of investee companies	(3.7)	0.4	(2)	(1)	(1.3)
Net earnings	591	44	103	164	280

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

An offer for sale and issuance according to a prospectus was published on May 24, 2004. The designation of the proceeds from the offering – "as will be decided by the Company from time to time according to 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 need 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	Class of Share	Number of shares	Total par value	Rate of holding in %	Adjusted cost in NIS thousands	Adjusted balance sheet value in NIS thousands
Pelephone Communications Ltd.	The Company	Ordinary NIS 1	302,460,000	302,460,000	100%	2,524,491	3,339,060
Bezeq International Ltd. <sup>1</sup>	The Company	Ordinary NIS 0.1	1,000,000,000	100,000,000	100%	479,620	489,889
BezeqCall Communication Ltd.	The Company	Ordinary NIS 1	35,537,220	35,537,220	100%	51,768	59,279
DBS Satellite services (1998) Ltd. <sup>2</sup>	The Company	Ordinary NIS 1	14,770	14,770	49.77%	1,778,488	43,630
Bezeq Online Ltd. <sup>3</sup>	The Company	Ordinary NIS 1	85,000	85,000	100%	24,418	15,502
Bezeq Zahav (Holdings) Ltd. <sup>4</sup>	The Company	Ordinary NIS 1	999,999	999,999	100%	2,100,070	2,100,070
Walla! Communications Ltd. <sup>5</sup>	Bezeq International	Ordinary NIS 1	12,489,116	12,489,116	42.85% <sup>6</sup>	80,558	19,746
BezeqCall Ltd. <sup>7</sup>	The Company	Ordinary NIS 0.1	400,000,000	40,000,000	100%	0	3,904

\* Note: Adanet Business Group Ltd. – Adanet and its subsidiaries are in liquidation/receivership proceedings.

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- 1 Bezeq International includes an investment of NIS 173,258 thousands which was extended as a CPI-linked shareholders' loan. This loan was defrayed in full on February 14, 2006.
  - 2 D.B.S. Satellite Services (1998) Ltd. includes an investment of NIS 1,778,488 thousand by means of loans. Of which, NIS 1,006,232 thousand is in loans linked to the known CPI, NIS 192,236 thousand in loans linked to the known CPI and bearing 5.5% interest, and NIS 580,020 thousand is in loans linked to the known CPI and bearing 11% interest.
  - 3 Bezeq Online Ltd. includes an investment of NIS 1,048 thousand, extended as a shareholder loan. The loan is linked to the CPI and is interest-free.
  - 4 A loan was extended to the subsidiary Bezeq Zahav (Holdings) Ltd. for financing the purchase of debentures Series 4 and 5 as allotted to it.
  - 5 Walla! Communications Ltd. includes an investment of NIS 5,514 thousand which was made by means of shareholders' loans from Bezeq International. The loans are linked to the CPI and are interest-free. During 2005, Bezeq International exercised another 213,397 options in consideration of NIS 384,115 thousand, which was set off from the balance of those loans.
  - 6 At full dilution – 33.94%.
  - 7 Inactive company.

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

Date of the change	Character of the change	Company name	Reported amounts NIS thousands
1/05	Shareholder's Loan	DBS	30,000
2/05	Shareholder's Loan	DBS	6,000
3/05	Shareholder's Loan	DBS	1,400
7/05	Shareholder's Loan	DBS	6,500
8/05	Shareholder's Loan	DBS	21,000
12/05	Linkage differentials	DBS	110,036
1/05	Repayment of loan.	Bezeq Zahav (Holdings) Ltd.	-100,000
2/05	Repayment of loan.	Bezeq Zahav (Holdings) Ltd.	-200,000
6/05	Repayment of loan.	Bezeq Zahav (Holdings) Ltd.	-100,000
8/05	Repayment of loan.	Bezeq Zahav (Holdings) Ltd.	-100,000
3/05	Exercise of option warrants	Walla! Communications Ltd.	There is no transition change between shareholder loans and an investment
2005	Premium reduction	Bezeq Zahav (Holdings) Ltd.	-12,415
2005	Revaluation	Bezeq Zahav (Holdings) Ltd.	52,396
Q4 2005	Exercise of options	Walla! Communications Ltd.	600

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

Company name	Earnings (loss) before tax	Earnings (loss) after tax	Dividend	Management Fees	Interest
	NIS thousands				
Pelephone Communications Ltd.	358,238	236,398	0	0	0
Bezeq International Ltd.	90,577	110,386	0	0	0
BezeqCall Communication Ltd.	3,752	4,627	0	0	0
BezeqCall Ltd.	0	0	0	0	0
D.B.S. Satellite Services (1998) Ltd.	(327,857)	(327,857)	0	0	83,710
Bezeq Online Ltd.	(8,505)	(8,764)	0	0	930
Bezeq Zahav Holdings Ltd.	0	0	0	0	92,546
Walla! Communications Ltd.	12,169	12,332	0	0	0

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

Date	Security No.	Security name	Quantity	New balance
04.04.05	2300069	Debentures Series 5	286,967,000	2,386,967,000

As at the date publication of the periodic report, the subsidiary Bezeq Zahav (Holdings) Ltd. holds 1,950,000 debentures Series 5.

## 7. Payment to Senior Officers

Cost of salary	2005
	Reported amounts in NIS thousands
CEO*	5,923
Deputy CEO*	1,750
Former CEO	1,515
Director	1,323
Former deputy CEO	1,117

\*The total cost includes salaries and benefits relating to their tenure of employment at Pelephone.

## 8. Salary and Benefits

A. In 2005, members of the Board of Directors who served in the Company until October 11, 2005 (the date of transfer of control) (except for the former chairman and directors on behalf of the employees in the employ of the Company) received remuneration, salary and incidental expenses amounting to NIS 1,643 thousand.

Commencing October 11, 2005, no remuneration is paid to the directors, except for external directors.

B. The cost of salary of the Chairperson of the Board until March 6, 2005 (the date of her retirement) was NIS 455 thousand.

C. Regarding a management fee agreement, see Note 27 to the financial statements

Subject to the approval of the General Meeting of the Company, the management fee for the period from October 11, 2005 until December 31, 2005 – NIS 1,250 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 Report Date**

	<b>Name of holder</b>	<b>Type of security</b>	<b>Number of convertible securities</b>	<b>Number of shares</b>	<b>Value in NIS par value</b>	<b>Percentage of holding in control and in equity</b>
1.	State of Israel <sup>8</sup>	Ordinary		426,797,766	426,797,766.00	16.38
2.	Zeevi Communications Holdings Ltd. <sup>9</sup>	Ordinary		459,331,617	459,331,617.00	17.63
3.	D.E. Dirot Elite Ltd.	Ordinary		3,097,697	3,097,697.00	0.12
4.	Ap.Sb.Ar. Holdings Ltd. through Romema Investments Co. Ltd.	Ordinary		781,513,683	781,513,683	30.00
5.	Alan (Chanoch) Barkat (director)	Ordinary		10,500	10,500	
6.	Ran Gottfried (director)	Ordinary		12,000	12,000	

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

The registered capital 2,625,000,000 shares of NIS 1 par value each  
Issued capital 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 1: 03-6262200; Telephone 2: 03-6262300; Fax: 03-6262209  
email: [Bosmatch@Bezeq.com](mailto:Bosmatch@Bezeq.com) (Corporate secretary)

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<sup>8</sup> In accordance with the agreement between Ap.Sb.Ar Holdings Ltd. and the State for the purchase of the State's holdings in the Company, Ap.Sb.Ar Holdings Ltd. has an option to purchase up to 277,697,862 shares in the Company (which constitute approximately 10.66% of the Company's share capital), which can be exercised until the first business day occurring 48 months after October 11, 2005 (the date of closing the purchase of the Company's shares). Under the aforesaid agreement, Ap.Sb.Ar. Holdings Ltd. will be entitled to request that the State vote with it (within the limits defined in the agreement concerning certain matters) for 10.66% of the Company's shares held by the State and for which Ap.Sb.Ar. Holdings Ltd. received an option to purchase, and for 1.01% of the Company's shares which will remain in the State's hands in the period commencing on October 11, 2005 (the date of closing the transaction) and ending at the end of the option exercise period as aforesaid, and for 4.71% of the Company's shares held by the State, which are designated for allotment to Company employees – for a period as aforesaid or until the transfer of ownership of those shares to Company employees, the earlier of the two.

<sup>9</sup> 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 Company's 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, D.E. Dirot Elite Ltd., (as specified in Section 3) also holds shares in the Company.

<sup>10</sup> See Note 8 above.

## 12. Directors of the Corporation

- A. (1) Name: **Moshe (Mori) Arkin\*** ID. No. 051643062  
(2) Date of birth: October 23, 1952  
(3) Address: 22 Derech Haganim, Kfar Shmaryahu  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees: Chairman of the Security Committee, Chairman of the Executive Committee  
(6) External Director: No  
(7) Employee of the corporation, a subsidiary, related company or interested party: No  
The director is Chairman of the Company's Board of Directors (as of October 11, 2005)  
(8) Date of start of tenure as a director: October 11, 2005  
(9) Education and employment during the past five years and details of the corporations in which he serves as director:  
BA – Psychology, Tel Aviv University  
BA – Philosophy, Tel Aviv University  
Since October 11, 2005 – Chairman of the Board of Bezeq  
1983-2005 – Chairman of the Board of Agis Industries (1983) Ltd.  
From 2005 – Deputy Chairman of the Board of Frigo.  
From 2001 – President of Agis Industries (1983) Ltd.  
Until 2001 – CEO of Agis Industries (1983) Ltd.  
Director at:  
Ap.Sb.Ar. Holdings Ltd.  
Arkin Communications Ltd.  
Frigo  
M. Arkin (1999) Ltd.  
Arkin Real Estate Holdings (1981) Ltd.  
Arkin-Yanai Holdings Ltd.  
Arkin Assets Ltd.  
Moshe and Daniela Arkin Promotions and Investments Ltd.  
(10) Related to an interested party in the Corporation: No  
\* Arkin Communications Ltd., which is wholly owned by Moshe Arkin, owns 10% of the capital and 19% of the voting rights of Ap.Sb.Ar. Holdings Ltd. Ap.Sb.Ar. Holdings Ltd. owns 30% of the Company's share capital(which is held in trust by Romema Investments Co. Ltd.)
- B. (1) Name: **Pinchas (Barel) Buchris** ID No. 053305868  
(2) Date of birth: April 11, 1956  
(3) Address: Apax, 2 Maskit Street, Herzliya 46120  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees: Security Committee  
(6) External Director: No  
(7) Employee of the corporation, a subsidiary, related company or interested party: The director is an independent partner in the Apax Israel Investment Fund.  
(8) Date of start of tenure as a director: October 11, 2005  
(9) Education and employment during the past five years and details of the corporations in which he serves as director:  
BSc – The Technion, Israel Institute of Technology  
MBA – Derby University  
From 2003 – Independent partner in the Apax Israel Investment Fund  
Director at:  
Escape Rescue Systems Ltd.  
Go Networks  
Gmn  
Raysat  
A. Nuriel Knafaim Holdings  
(10) Related to an interested party in the Corporation: No

- C. (1) Name: **Alan (Chanoch) Barkat** ID. No. 012664769  
 (2) Date of birth: September 3, 1952  
 (3) Address: Hashachar 32, Raanana  
 (4) Citizenship: Israeli + Canadian  
 (5) Membership of Board of Directors Committees: No  
 (6) External Director: No  
 (7) Employee of the corporation, a subsidiary, related company or interested party: No  
 (8) Date of start of tenure as a director: October 11, 2005  
 (9) Education and employment during the past five years and details of the corporations in which he serves as director:  
 MBA – Kellogg-Recanati Senior Management Program  
 BSc Computer Engineering – The Technion, Israel Institute of Technology  
 1995 - 2005 Head of the Israeli branch of the Apax Investment Fund  
 Director at:  
 Fiberxon (observer only)  
 Hapoel Tel Aviv Football club  
 Ap.Sb.Ar. Holdings Ltd  
 (10) Related to an interested party in the Corporation: No

- D. (1) Name: **Ran Gottfried** ID No. 006357206  
 (2) Date of birth: August 20, 1944  
 (3) Address: 64 Pinkas Street, Tel Aviv  
 (4) Citizenship: Israeli  
 (5) Membership of Board of Directors Committees: No  
 (6) External Director: No  
 (7) Employee of the corporation, a subsidiary, related company or interested party: No  
 (8) Date of start of tenure as a director: November 24, 2005  
 (9) Education and employment during the past five years and details of the corporations in which he serves as director:  
 Completed two years graduate degree studies in Economics and Social Sciences at Tel Aviv University  
 From November 2005 – independent adviser at Magnolia Silver Jewelry and Magnolia Export Logistics Ltd.  
 2001-November 2005 Chairman of the Board of Magnolia Silver Jewelry Ltd.  
 2003-November 2005 CEO and partner Magnolia Export Logistics Ltd.  
 From 2004 to the present – independent consultant to Careline-Neka  
 From 2000 to the present – independent consultant – strategic consultation to retail companies in Israel and abroad  
 2000-2002 – Strategic consultation to cosmetic companies abroad  
 1998-2000 – CEO and partner of NewPharm  
 1995-2000 – CEO and partner of April Ltd.  
 Director at:  
 2003-2005 Director in Agis  
 Since 2006 Director in Prigo  
 (10) Related to an interested party in the Corporation: No

- E. (1) Name: **Stephen Grabiner\*** ID. No. 024558479  
 (2) Date of birth: September 30, 1958  
 (3) Address: 15 Portland Place, London, U.K  
 (4) Citizenship: British  
 (5) Membership of Board of Directors Committees: Member of Executive Committee  
 (6) External Director: No  
 (7) Employee of the corporation, a subsidiary, related company or interested party:  
 The director is a Partner, Apax Partners Worldwide LLP  
 (8) Date of start of tenure as a director: October 11, 2005  
 (9) Education and employment during the past five years and details of the corporations in which he serves as director:  
 MBA, Manchester University  
 From 1999 Partner, Apax Partners Worldwide LLP  
 Director at:

Apax Partners Europe Managers Ltd  
Cloverhawk Ltd  
ISC (International Sportsworld Communicators)  
Jewish Chronicle Limited  
PCM Holding B.V  
Ap.Sb.Ar Holdings Ltd.  
Yellow Green Finance & Investment Ltd  
Purple Green Project & Investment

(10) Related to an interested party in the Corporation: No

- F. (1) Name: **Isaschar (Sachi) Gerlitz** ID. No. 051741270  
(2) Date of birth: April 28, 1953  
(3) Address: Apax, 2 Maskit Street, Herzlyia 46120  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees: Audit Committee  
(6) External Director: No  
(7) Employee of the corporation, a subsidiary, related company or interested party:  
The director works at Apax Partners Israel Ltd., a company advising the Apax Funds  
(8) Date of start of tenure as a director: October 11, 2005  
(9) Education and employment during the past five years and details of the corporations in which he serves as director:  
BSc Computer and Electrical Engineering, Tel Aviv University  
Program for Business Administration for Industrial Management, Bar Ilan University  
From February 2001, partner in the Apax Fund  
July 1991 – Senior VP Business Development, CTO at Converse  
Director at:  
Crescendo Networks  
Bitband  
Mobixell Network  
Star Home  
(10) Related to an interested party in the Corporation: No

- G. (1) Name: **Yigal Cohen-Orgad\*** ID. No. 7703143  
(2) Date of birth: August 30, 1937  
(3) Address: 9 Frenkel Street, Ramat Aviv, Tel Aviv  
(5) Membership of Board of Directors Committees: Executive Committee, Audit Committee  
(6) External Director: Yes  
(7) Employee of the corporation, a subsidiary, related company or interested party: No  
(8) Date of start of tenure as a director: January 26, 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 at:  
Israel Electric Corporation  
Self-employed – Construction project manager  
(10) Related to an interested party in the Corporation: No  
\* Director with accounting and financial expertise

- H. (1) Name: **Menachem Inbar\*** ID. No. 000483982  
(2) Date of birth: September 3, 1948  
(3) Address: 5 Hagilad Street, Ramat Gan  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees: Chairman of the Audit Committee  
(6) External Director: No  
(7) Employee of the corporation, a subsidiary, related company or interested party:  
The director assists Moshe Arkin, who is an interested party in the Company, in managing his investments  
(8) Date of start of tenure as a director: October 11, 2005  
(9) Education and employment during the past five years and details of the corporations in which he serves as director:

BA Social Sciences, Bar Ilan University  
Since 2000 – partner in Shipman-Inbar Ltd.  
Director at:  
Elrov Israel Ltd.  
ITL Optronics Ltd.  
Arkin Communications Ltd.  
Shipman-Inbar Ltd.

- (10) Related to an interested party in the Corporation: No  
\* Director with accounting and financial expertise

- I. (1) Name: **Adam Chesnoff\*** ID. No. 022113567  
(2) Date of birth: November 16, 1965  
(3) Address: 226S. Saltair Avenue, Los Angeles, CA 90049  
(4) Citizenship: Israeli and American  
(5) Membership of Board of Directors Committees: Member of the Executive Committee  
(6) External Director: No  
(7) Employee of the corporation, a subsidiary, related company or interested party:  
The director is President and Chief Operating Officer of SCG Israel Ventures LLC, which owns 45% of the capital and 40.5% of the voting rights in Ap.Sb.Ar. Holdings Ltd. Ap.Sb.Ar. Holdings Ltd. owns 30% of the Company's share capital (which is held in trust by Romema Investments Co. Ltd.)  
(8) Date of start of tenure as a director: October 11, 2005  
(9) Education and employment during the past five years and details of the corporations in which he serves as director:  
BA Economics and Management, Tel Aviv University  
MBA, Business School, UCLA  
From 1999 President and Chief Operating Officer at Saban Capital Group  
Director at:  
Prosieben SAT 1 Media A6 (Germany)  
KSF Corp, (incorporated in Delaware)  
(10) Related to an interested party in the Corporation: No  
Adam Chesnoff holds 2.025% of SCG Israel Ventures Ltd.  
SCG Israel Ventures LLC owns 45% of the capital and 40.5% of the voting rights in Ap.Sb.Ar. Holdings Ltd. Ap.Sb.Ar. Holdings Ltd. owns 30% of the Company's share capital (which is held in trust by Romema Investments Co. Ltd.)

- J. (1) Name: **Blanche Kay** ID No. 048202717  
(2) Date of birth: March 19, 1930  
(3) Address: 10 Manya V'yisrael Street, Tel Aviv  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees: Member of the Audit Committee and the Security Committees  
(6) External Director: Yes  
(7) Employee of the corporation, a subsidiary, related company or interested party: No  
(8) Date of start of tenure as a director: November 23, 2000\*  
(9) Education and employment during the past five years and details of the corporations in which he serves as director:  
MGr Law Degree – Hebrew University of Jerusalem  
Since December 2002 – Chairwoman 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  
Director at:  
2000-2003 – Director of Dead Sea Shore Development Company  
From 2002- External director of Optima Enterprise & Investments  
From Jan 15, 2006 – member of a public committee for determining designation of proceeds from inheritances for the benefit of the State  
(10) Related to an interested party in the Corporation: No

\* Except for a short break. Current term commenced on January 26, 2004.

- K. (1) Name: **Kihara R. Kiarie** Passport No. 039101782  
(2) Date of birth: May 16, 1974  
(3) Address: 10100 Santa Monica Blvd. Los Angeles, California 90067, U.S.A.  
(4) Citizenship: USA  
(5) Membership of Board of Directors Committees: No  
(6) External Director: No  
(7) Employee of the corporation, a subsidiary, related company or interested party: The director is an officer (director) of the Saban Capital Group, a company with an indirect holding in Ap.Sb.Ar. Holdings Ltd.  
(8) Date of start of tenure as a director: November 24, 2005  
(9) Education and employment during the past five years and details of the corporations in which he serves as director:  
BA Economics, Dartmouth College  
MBA, Harvard Business School  
2003-2006 Saban Capital Group (director)  
1999-2001 Associate in AEA Investors  
Director at:  
Saban Capital Group  
(10) Related to an interested party in the Corporation: No
- L. (1) Name: **Arieh Saban** ID NO. 064902083  
(2) Date of birth: May 2, 1947  
(3) Address: 59 Kaplan Street, Herzlyia  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees: No  
(6) External Director: No  
(7) Employee of the corporation, a subsidiary, related company or interested party: No  
(8) Date of start of tenure as a director: October 11, 2005  
(9) Education and employment during the past five years and details of the corporations in which he serves as director:  
From 2001 – partner in the Fox Kids Channel  
For 15 years distributed and marketed children’s television programs through Israel Audio Visual Corp.  
Director at:  
Keshet Broadcasting Ltd.  
(10) Related to an interested party in the Corporation: Yes  
The director is the brother of Haim Saban. Haim Saban is the controlling shareholder of SCG Israel Ventures LLC, which owns 45% of the capital and 40.5% of the voting rights in Ap.Sb.Ar. Holdings Ltd. Ap.Sb.Ar. Holdings Ltd. owns 30% of the Company’s share capital (which is held in trust by Romema Investments Co. Ltd)
- M. (1) Name: **Elon Shalev** ID No. 050705276  
(2) Date of birth: July 26, 1951  
(3) Address: 70 Yehoshua Bin Nun Street, Tel Aviv  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees: No  
(6) External Director: No  
(7) Employee of the corporation, a subsidiary, related company or interested party:  
The director provides services to KSF Corp., which is a company indirectly controlled by Haim Saban who is the controlling shareholder of SCG Israel Ventures LLC, which owns 45% of the capital and 40.5% of the voting rights in Ap.Sb.Ar. Holdings Ltd. Ap.Sb.Ar. Holdings Ltd. owns 30% of the Company’s share capital (which is held in trust by Romema Investments Co. Ltd)  
(8) Date of start of tenure as a director: October 11, 2005  
(9) Education and employment during the past five years and details of the corporations in which he serves as director:  
BA Political Science, Tel Aviv University  
(two years) from 2000 VP Discount Investments  
Director at:

- Shahal Medical Services Ltd. as well as at its subsidiaries  
Loggia Ltd.  
Igloo Ltd.  
Keshet Broadcasting Ltd.
- (10) Related to an interested party in the Corporation: No

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

- A. . (1) Name: **Yacov Gelbard** ID No. 030256622  
(2) Date of birth: May 2, 1947  
(3) Date of taking office: October 11, 2005  
(4) Position in the Company: CEO  
Position in a subsidiary of the Company or of an interested party of the Company:  
Director at:  
Pelephone Communications Ltd.  
Bezeq International Ltd.  
BezeqCall Ltd.  
D.B.S. Satellite Services (1998) Ltd.  
(5) Related to a senior officer or to any interested party: No  
(6) Education and business experience over the past five years:  
BA Economics and Accounting, Tel Aviv University, qualified CPA  
2001-2005 CEO Pelephone Communications Ltd.  
1999-2001 CEO XXL Electronic Trading, Discount Investments
- B. (1) Name: **Yitzhak (Ika) Abravanel** ID No. 52626827  
(2) Date of birth: June 29, 1954  
(3) Date of taking office: November 16, 2005  
(4) Position in the Company: Deputy CEO for fixed-line communication  
Position in a subsidiary of the Company or of an interested party of the Company:  
Director at:  
Pelephone Communications Ltd.  
Bezeq International Ltd.  
BezeqCall Ltd.  
Bezeq Online Ltd.  
(5) Related to a senior officer or to any interested party: No  
(6) Education and business experience over the past five years:  
BA Political Science, Haifa University  
MA Political Science, Haifa University  
Graduate of the National Security College  
2001-Senior VP of Operations and Customer Service, Pelephone Communications Ltd.
- C. (1) Name: **Ron Eilon** ID No. 59211722  
(2) Date of birth: May 27, 1965  
(3) Date of taking office: Since March 2, 2003, has served as CFO and since November 16, 2005, as Deputy CEO and CFO  
(4) Position in the Company: Deputy CEO and CFO  
Position in a subsidiary of the Company or of an interested party of the Company:  
Director at:  
Pelephone Communications Ltd.  
Bezeq International Ltd.  
Bezeq Online Ltd (Chairman)  
D.B.S. Satellite Services (1998) Ltd.  
(5) Related to a senior officer or to any interested party: No  
(6) 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 The deputy in charge of budgets, Ministry Of Finance  
2003-2005 CFO, Bezeq  
As of 10/2005 Mr. Ron Eilon serves as Deputy CEO AND CFO

- D. (1) Name: **Bosmat Chelouche** ID No. 052592664  
(2) Date of birth: May 8, 1954  
(3) Date of taking office: Since September 1, 1998, general counsel, and since November 16, 2005 also VP and Corporate Secretary  
(4) Position in the Company: VP, General Counsel and Corporate Secretary  
Position in a subsidiary of the Company or of an interested party of the Company:  
Member of the Board at:  
Pelephone Communications Ltd.  
BezeqCall Ltd.  
(5) Related to a senior officer or to any interested party: No  
(6) Education and business experience over the past five years:  
LLC, Tel Aviv University  
1998-2005 Bezeq General Counsel
- E. (1) Name: **Ehud Mezuman** ID No. 052176336  
(2) Date of birth: February 17, 1954  
(3) Date of taking office: July 21, 2005  
(4) Position in the Company: Deputy VP Management Resources  
Position in a subsidiary of the Company or of an interested party of the Company: No  
(5) Related to a senior officer or to any interested party: No  
(6) Education and business experience over the past five years:  
Three years at Tel Aviv University – Social Sciences (without graduating)  
From 2001 Head of the Manager Development Department at Bezeq
- F. (1) Name: **Michel Hibert** ID No. 068200203  
(2) Date of birth: October 26, 1956  
(3) Date of taking office: August 12, 2004  
(4) Position in the Company: Deputy VP Engineering and Planning  
Position in a subsidiary of the Company or of an interested party of the Company: No  
(5) Related to a senior officer or to any interested party: No  
(6) 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 Access Networks Engineering Department, Engineering and Planning Division, Bezeq  
1998-2003– Manager of Access Networks Department, Engineering and Planning Division, Bezeq
- G. (1) Name: **Raz Heiferman** ID No. 67614339  
(2) Date of birth: January 25, 1949  
(3) Date of taking office: March 16, 1997  
(4) Position in the Company: VP Information Technology  
Position in a Subsidiary of the Company or of an interested party of the Company: No  
(5) Related to a senior officer or to any interested party: No  
(6) Education and business experience over the past five years:  
BA Economics and Statistics  
MBA.  
1992-1997-1997 – Contahal Ltd. Last position – Manager of Technology and Software Engineering Division
- H. (1) Name: **Danny Oz** ID No. 054299953  
(2) Date of birth: June 16, 1956  
(3) Date of taking office: September 1, 1998  
(4) Position in the Company: Controller and Deputy CFO

- Position in a subsidiary of the Company or of an interested party of the Company: No
- (5) Related to a senior officer or to any interested party: No
- (6) 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  
Since September 1998 – Company Controller
- I. (1) Name: **Danny Friedman** ID No. 014684385
- (2) Date of birth: September 17, 1959
- (3) Date of taking office: December 18, 2003
- (4) Position in the Company: Internal Auditor
- Position in a subsidiary of the Company or of an interested party of the Company: No
- (5) Related to a senior officer or to any interested party: No
- (6) Education and business experience over the past five years:  
BA Accounting, Hebrew University of Jerusalem  
BA Economics and Statistics, Hebrew University of Jerusalem  
CIA – Certified Internal Auditor (USA)  
CISA – Certified Information Systems Auditor (USA)  
1987-2003 – Chief Auditor, Finance at Bezeq
- J. (1) Name: **Erez Hasdai** ID No. 022760599
- (2) Date of birth: May 21, 1967
- (3) Date of taking office: November 16, 2005
- (4) Position in the Company: Deputy VP Economics
- Position in a subsidiary of the Company or of an interested party of the Company: No
- (5) Related to a senior officer or to any interested party: No
- (6) Education and business experience over the past five years:  
BA Economics, Tel Aviv University  
MBA, Florida International University  
Since July 27, 2000 – Manager, Strategic Planning Department  
From August 1, 2003 to February 1, 2004 – Deputy VP Economics
- K. (1) Name: **Ran Guron** ID No. 024113268
- (2) Date of birth: December 25, 1968
- (3) Date of taking office: January 9, 2006
- (4) Position in the Company: VP Marketing
- Position in a subsidiary of the Company or of an interested party of the Company: No
- (5) Related to a senior officer or to any interested party: No
- (6) Education and business experience over the past five years:  
BA Economics, Hebrew University of Jerusalem  
MBA, Hebrew University of Jerusalem  
2003-2005 VP Marketing, Barak  
1997-2002 Marketing Manager, Business Sector, Cellcom

**Note:** The list of senior officers above 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 do not fall within 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 report directly to the CEO), and they are: managers of operations divisions and the Company Spokesperson.

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

Somech Chaikin – Certified Public Accountants (Isr.)  
Address: 17 Ha'Arba'a Street  
Millenium Tower KPMG  
Tel Aviv 64739  
Tel: 03-6848000

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

On April 6, 2005 the General Meeting approved the amendment to the Company's Articles of Association, so that the wording of Regulation 225(C)(2) will be deleted and will be replaced by:

"Another person received approval for control of the Company in accordance with the Telecommunications Law and the Telecommunications Order, granted to him in writing and in advance, and he controls the Company, whether alone or whether with others, including with the State in accordance with the agreement with it."

## **16. Recommendations and Resolutions of the Directors Before the General Meeting and their Resolutions which are not Subject to the Approval of the General Meeting**

### **16.1 Payment of a dividend**

On March 1, 2006, the Board of Directors decided to recommend to the General Meeting of the Shareholders of the Company the distribution of a cash dividend to the shareholders of the Company, in a total amount of NIS 1,200,000,193 which constitute, as at the date of the distribution, NIS 0.4606446 per share and 46.06446% of the issued and paid up capital of the Company. According to the decision: The rate of the dividend actually paid shall be determined according to the Company's issued and paid up share capital at the end of the business day of the 2nd of April 2006 ("The Determining date"), the dividend will be paid to the shareholders of the Company who are registered in the Company's shareholders register at the end of the Determining date, The "X" date shall be on the 3rd of April 2006 and the payment date will be on the 16th of April 2006. The said dividend shall be deducted of tax at source in accordance with the provisions of the law.

### **16.2 Changes in the Articles**

Replacement of Article 225(C)(2) with the following wording: "Another person received approval for control of the Company in accordance with the Telecommunications Law and the Telecommunications Order, granted to him in writing and in advance, and he controls the Company, whether alone or whether with others, including with the State in accordance with the agreement with it".

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

### **Appointment of Rachel Kremerman-Meridor as director (resolution from March 1, 2005)**

The general meeting approved the appointment of Rachel Kremerman-Meridor as director in the Company.

### **Approval for remuneration for the Chairperson of the Board (resolution from March 1, 2005)**

The Meeting approved a one-time personal remuneration for 2004 for the Chairwoman of the Board, Adv. Miriam Mazar, in the amount of 1.2 salaries (approximately NIS 49,400), as part of the one time personal remuneration for 2004 for senior employees employed under personal agreements (new version).

### **Election of directors (resolution from March 22, 2005):**

The General Meeting approved the appointment of candidates Rami Nomkin and Yehuda Porat as directors in the Company.

### **Indemnity for directors and officers for the sale of the core control (resolution from April 6, 2005)**

The General Meeting approved the Company making a commitment to indemnify for any financial liability imposed on officers in the Company and for reasonable legal expenses they incur, related directly or indirectly to the process of sale of the State's holdings in the Company by way of a private sale of 30% of the Company's share capital and options for the purchase of additional 10.66% of the Company's share capital, in accordance with the decision of the Ministerial Committee for Privatization on July 19, 2004, Number MH/17, in accordance with the terms specified in the notice of commitment to indemnify an officer, which was attached to the Immediate Report of the Company dated March 14, 2005.

The commitment to indemnify will be given to officers who served and/or were appointed and/or will be appointed in the Company as of the start of the Company's preparations for the sale process (the date of publication of the notice for the sale of the core control – August 27, 2004) and until the date of completion of the sale process.

The total amount of the indemnity will not exceed 25% of the Company's share capital (according to its financial statements for 2004, linked to the Consumer Price Index of November 2004), including for the commitment to indemnify in advance given up to the date of issue of the notice of indemnification together with the commitment to indemnify in advance in accordance with the Minister of Finance's letter from April 21, 2004, which will be given, if given, on the eve of the transfer of core control in the Company by the State (a commitment that was approved at the General Meeting on May 16, 2005, as described below).

#### **Amendment of Article 225(C)(2) to the Company's Articles (Resolution from April 6, 2005)**

On April 6, 2005 the General Meeting approved an amendment to the Company's Articles so that the wording of Article 225(C)(2) will be deleted and will be replaced by:

"Another person received approval for control of the Company in accordance with the Telecommunications Law and the Telecommunications Order, granted to him in writing and in advance, and he controls the Company, whether alone or whether with others, including with the State in accordance with the agreement with it".

#### **Approval of severance pay for the Chairwoman of the Board – Adv. Miriam Mazar (resolution from April 6, 2005).**

The General Meeting approved severance pay of 100% more than is prescribed in the law, in the amount of NIS 99,000, to the outgoing Chairwoman of the Board, Adv. Miriam (Miki) Mazar.

#### **Approval to exercise an option for the purchase of a run off policy for the liability of Company officers (Resolution from May 16, 2005)**

The General Meeting approved exercise of an option by the Company for the purchase of a run off officers liability policy for the Company's officers, under the policy terms that were in effect from July 31, 2004 to July 30, 2005, with the following changes:

- A. The period of insurance – seven years from the date of closing the transfer of the State's shares in the sale process carried out in accordance with the decision of the Ministerial Committee for Privatization of July 19, 2004, No. MH/17 (hereinafter: "the **Date of Closing the Sale**").
- B. The total amount of the insurance cover will not exceed \$150,000,000, plus \$30 million for legal expenses in Israel only.
- C. Limits of liability:
  - 1) Cover for the first three years – within the limits of liability of \$150,000,000 plus \$30 million for legal expenses in Israel only.
  - 2) Cover for three additional years – within the limits of liability of \$75,000,000 plus \$15 million for legal expenses in Israel only.
  - 3) Cover for the seventh year – within the limits of liability of \$25,000,000 plus \$5 million for legal expenses in Israel only.

It is clarified that there is one limit of liability for the entire run-off period.

- D. The amount of the premium for the entire period of insurance – \$3,000,000 (in one advance payment).

#### **Approval of an undertaking to indemnify officers in the Company (resolution from May 16, 2005)**

The General Meeting approved a commitment by the Company, given in advance to officers in the company, who were serving in the company at the time the commitment was made, in respect of indemnity that would apply on the Date of Closing the Sale or who were in office during the seven years preceding the Date of Closing the Sale, to indemnify them for financial liability imposed on him in each of the events specified in the document attached to the notice of indemnity, in which the officer acted in good faith and had reasonable grounds to assume that the action was in the best interests of the Company. The indemnity will be granted under the terms set out in the notice of commitment to indemnify.

It is hereby clarified that the Company's commitment to indemnify will not apply to an event for which the insurer has accepted liability under an insurance policy, including the aforesaid. However, if the officer was charged, due to an indemnifiable event, an amount in excess of the amount paid to him by the insurer, the company will indemnify him with the difference, subject to the amount of indemnity for all officers in the company as defined above, not exceeding \$150,000,000 plus \$30 million for legal expenses in Israel only per claim and in total for every year of insurance during the period of insurance as defined above.

**Approval of transactions between the Company and the Ministry of Defense (Resolution from June 2, 2005)**

1. The General Meeting resolved to remove from the agenda approval of the agreement for the provision of communication services by the Company to the IDF.
2. To approve the settlement agreement between the Company and the Ministry of Defense concerning the Company's claim in respect of the deduction of discounts at a rate of 18% on various charges included under the item Miscellaneous in the IDF's telephone bills.

**Election of directors (resolution from June 2, 2005):**

The General Meeting approved the candidates proposed by Goren Capital Group Ltd. to serve as directors in the Company:

Chanoch Barkat, Pinchas Buchris, Haim Saban, Adam Chesnoff, Elon Shalev, Moshe Arkin, Menachem Inbar.

The appointment of the above candidates was approved subject to closing the transfer of the State's holdings to the purchaser of the State's holdings, as described in the notice pursuant to Section 37 of the Securities Law, 5728-1968, dated May 9, 2005 and subject to receipt of approval of the General Security Service that 75% of the directors in the Company have an appropriate security clearance, in accordance with the Telecommunication Order (Determination of an essential service provided by "Bezeq", The Israeli Telecommunication Corp. Ltd.), 5747-1997.

**Election of directors (resolution from June 22, 2005):**

The General Meeting approved the appointment of the candidates listed below to serve as directors in the Company:

Stephen Grabiner, Arie Saban, Issachar (Sachi) Gerlitz

The appointment of the above candidates was approved subject to closing the transfer of the State's holdings to the purchaser of the State's holdings, as described in the notice pursuant to Section 37 of the Securities Law, 5728-1968, dated May 9, 2005 and subject to receipt of approval of the General Security Service that 75% of the directors in the Company have an appropriate security clearance, in accordance with the Telecommunication Order (Determination of an essential service provided by Bezeq, The Israeli Telecommunication Corp. Ltd.), 5747-1997.

**Extension of the officers insurance policy including the run off for a period of up to four months (Resolution from August 3, 2005)**

The General Meeting approved the extension of the officers insurance policy, including the run off option, for a period of up to four months, in accordance with the terms specified in the appendices attached to the resolution and at a cost of \$112,500 per month.

**Approval of a commitment with Clal Insurance Co. Ltd. for the purchase of a policy to ensure the liability of officers in the Company and approval of the Framework Agreement for two additional years for a contractual agreement for future insurance policies (decision from November 24, 2005)**

The Board of Directors approved a commitment with Clal Insurance Co. Ltd. for the purchase of an officers liability policy for Company officers for one year from October 11, 2005, with a limit of liability of a \$150 million per claim and in total for the entire year of insurance. In addition \$30 million per claim and for all claims for the period of insurance for legal expenses in Israel only. The limit of liability for subsidiaries – \$50 million (as part of the aforesaid limit of liability). Annual premium – \$675,000 plus 1.5% stamp duty.

The Board also approved a Framework Agreement in effect from the date of receiving the approval of the General Meeting until two years after the expiration of the current policy, for the Company to contract in the normal course of business in future insurance policies, in effect (after expiration of the current policy as specified above) to cover the liability of directors and officers as may be from time to

time, including directors and officers who are or are likely to be considered as controlling shareholders in the Company – by way of a Framework Agreement as defined in the Companies Regulations (Benefits in transactions with interested parties), 5760-2000, at an annual premium of US\$ 675,000, plus an amount constituting up to 20% of that premium in respect of the amount of the existing insurance cover (as specified above) as well as \$30 million per claim and for all the claims for the period of insurance for legal expenses in Israel only. The limit of liability for subsidiaries – \$50 million (as part of the aforesaid limit of liability).

If a sum of insurance cover is purchased that differs from any of the existing sums of insurance, the premium can be increased up to a ceiling of 20% of the amount of the premium of the current policy (US\$ 675,000), i.e. the maximum premium (after the increase) will in any case not exceed US\$ 810,000.

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

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

The Company will take 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 extended by 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 supersedes the resolution from January 20, 2005 set out above.**

### **Undertaking in respect of a loan from two institutional bodies to DBS (resolution from April 14, 2005):**

A commitment by the Company to repay the loan extended by two institutional bodies to DBS in the amount of NIS 35 million (with an option of an additional NIS 35 million). The commitment is contingent upon the occurrence of certain events, given a positive value of DBS according to a pre-determined formula (these are two separate loans, one in the amount of NIS 15 million and the second in the amount of NIS 20 million, with options in those same amounts).

## **19. Valid Insurances and Indemnities**

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

During 2005 the Company purchased policies to insure the liability of officers, and commitments were made to indemnify directors and officers, as detailed below:

1. A commitment to indemnify for any financial liability imposed on officers in the Company and for reasonable legal expenses they incur, related directly or indirectly to the process of sale of the State's holdings in the Company – See Section 17 above.
2. A commitment to indemnify officers who served during the seven years preceding the Date of Closing the Sale in the Company – See Section 17 above.
3. Exercise of an option to purchase a run off insurance policy to insure the liability of Company officers – See Section 17 above.
4. Extension of the officers liability insurance policy, including the run off option, for a period of up to four months – See Section 17 above.

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 under 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 allotment of shares, in everything relating to the framework agreement from January 13, 2002.
- E. An advance 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.
- F. An advance commitment to indemnify Company officers who served in 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% and more of the issued share capital of the Company.
- G. A commitment to Company officers who served in 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 an officer 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.
- H. 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.

14 August, 2006

\_\_\_\_\_

Date

\_\_\_\_\_

"Bezeq" The Israel Telecommunication Corp. Limited

Name and title of signatories:

Dov Weissglas, Chairman of the Board  
Yacov Gelbard, CEO