

# Chapter 4 – Additional Details About the Corporation

## 1. Summary of the Quarterly Statements of Operations for the Year Ended December 31, 2006 (In NIS millions)

The quarterly financial statements were prepared anew to comply with the International Financial Reporting Standards (IFRS).

	2006	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Revenues	12,232	3,116	3,082	3,019	3,015
Costs and expenses	10,667	3,187	2,532	2,444	2,504
Operating profit	1,565	-71	550	575	511
Financing expenses	338	29	92	146	71
Earnings before Co. equity in affiliates	1,227	-100	458	429	440
Equity in affiliates	11	7	2	1	1
Earnings before income tax	1,238	-93	460	430	441
Income tax	488	21	187	143	137
Net earnings	750	-114	273	287	304
Earnings attributed to Co. shareholders	809	-108	290	308	319
Minority rights in consolidated company	-59	-6	-17	-21	-15

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

No issue has been made on the basis of a Prospectus.

### 3. List of Investments in Subsidiaries and Related 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%	2,133,375	2,133,375
Bezeq International Ltd.	The Company	Ordinary NIS 0.1	1,000,000,000	100,000,000	100%	246,361	246,361
BezeqCall Communication Ltd. <sup>1</sup>	The Company	Ordinary NIS 1	35,537,220	35,537,220	100%	51,768	51,768
BezeqCall Ltd. <sup>2</sup>	The Company	Ordinary NIS 0.1	400,000,000	40,000,000	100%	0	0
DBS Satellite Services (1998) Ltd. <sup>3</sup>	The Company	Ordinary NIS 1	14,881	14,881	49.80%	1,189,414	1,189,414
Bezeq Online Ltd. <sup>4</sup>	The Company	Ordinary NIS 1	85,000	85,000	100%	24,418	24,418
Bezeq Zahav (Holdings) Ltd. <sup>5</sup>	The Company	Ordinary NIS 1	999,999	999,999	100%	2,082,283	2,082,283
Walla! Communications Ltd. <sup>6</sup>	Bezeq International	Ordinary NIS 1	15,053,880	15,053,880	44.04% <sup>7</sup>	79,559	31,933

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

\* Stated in accordance with IFRS.

1 The process of merging operations into Bezeq International was completed on 12.2.07.

2 The company is not active.

3 D.B.S. Satellite Services (1998) Ltd. includes an investment of NIS 1,189,414 thousand which was made by means of loans. Of which, NIS 453,580 thousand is in loans linked to the known CPI, NIS 133,020 thousand in loans linked to the known CPI and bearing 5.5% interest, and NIS 602,814 thousand is in loans linked to the known CPI and bearing 11% interest.

4 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.

5 A loan was extended to the subsidiary Bezeq Zahav (Holdings) Ltd. for financing the purchase of Company debentures Series 4 and 5.

6 Walla! Communications Ltd. includes an investment of NIS 872 thousand which was made by means of shareholders' loans from Bezeq International. The loans are linked to the CPI and are interest-free. During 2006, Bezeq International exercised another 2,564,764 options in consideration of NIS 4,616,575 thousand, which was set off from the balance of those loans. The share price on 31.12.06 – 814.7.

7 At full dilution – 33.66%.

**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
2/06	Repayment of Shareholder's Loan	Bezeq International	112,893
9/06	Distribution of dividend	Bezeq International	60,000
3/06	Distribution of dividend	Pelephone	300,000
9/06	Distribution of dividend	Pelephone	130,000
12/06	Linkage differentials	DBS	124,295
During 2006	Exercise of option warrants	Walla! Communications Ltd.	There is no transition change between shareholder loans and an investment
12/06	Premium reduction	Bezeq Zahav (Holdings) Ltd.	11,961
12/06	Revaluation	Bezeq Zahav (Holdings) Ltd.	5,827

**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.	682,811	459,247	430,000	0	0
Bezeq International Ltd.	135,951	95,560	60,000	0	0
BezeqCall Communication Ltd. <sup>8</sup>	(16,102)	(13,033)	0	0	0
BezeqCall Ltd.	0	0	0	0	0
D.B.S. Satellite Services (1998) Ltd.	(319,807)	(319,807)	0	0	79,070
Bezeq Online Ltd.	82	3	0	0	997
Bezeq Zahav Holdings Ltd.	0	0	0	0	95,426
Walla! Communications Ltd.	18,014	25,543	0	0	0

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

In 2006 no Company securities were listed for trading.

<sup>8</sup> The process of merging operations into Bezeq International was completed on 12.2.07.

## 7. Payment to Senior Officers

Cost of Salary	Total remuneration in NIS thousands (not including Bonus) <sup>9</sup>	Cancelled Bonus <sup>10</sup>
CEO	8,146	2,400
Former Deputy CEO <sup>11</sup>	3,484	640
Chairman	2,840 <sup>12</sup>	-
Deputy CEO	2,634	770
VP	1,398	600

## 8. Salary and Benefits

1. The salary received by the two external directors complies with the maximum tariffs set in the Companies Regulations (Rules Regarding Remuneration and Expenses for an External Director), 5760 – 2000), pursuant to the index as stipulated in said regulations. In 2006 the salary amounted to NIS 167 thousand.
2. The cost of salary of the Chairman of the Board and the CEO NIS 10,986 thousand<sup>9</sup> (not including Bonus<sup>13</sup>).
3. Regarding a management fee agreement, see Note 26(e) to the financial statements.
4. The management fee for 2006 – NIS 5,000 thousand.

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9 The sums include provisions regarding early notice according to agreement, adjustment of compensation and vacation according to actuary calculations

10 Following the application of the Securities Authority regarding the Bonus to senior officers, the Bonuses were cancelled, as clarified in the immediate report as of 26.3.07.

11 Including sums relation to his tenure at subsidiary D.B.S. Satellite Services (1998) Ltd.

12 Includes a one time payment according to his employment agreement.

13 See note 10 above.

**9. Shares and Convertible Securities Held by Interested Parties in the Corporation, a Subsidiary or a Related 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>14</sup>	Ordinary		426,797,766	426,797,766	16.38
2.	Zeevi Communications Holdings Ltd. <sup>15</sup>	Ordinary		459,331,617	459,331,617	17.63
3.	D.E. Dirot Elite Ltd.	Ordinary		3,097,697	3,097,697	0.12
4.	Ap.Sb.Ar. Holdings Ltd. through Romema Investments Co. Ltd. <sup>16</sup>	Ordinary		781,513,683	781,513,683	30.00
5.	Ran Gottfried (director)	Ordinary		12,000	12,000	
6.	Rami Nomkin <sup>17</sup> (director)	Ordinary	53,920		53,920	
7.	Yehuda Porat. <sup>18</sup> (director)	Ordinary	23,269		23,269	

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

The registered capital 2,749,000,000 shares of NIS 1 par value each  
 Issued capital 2,605,045,611 shares of NIS 1 par value each, having equal rights.  
 78,091,794<sup>19</sup> options to employees for shares of the Company of NIS 1 par value each, in accordance with an outline dated 22.2.07, were allocated on 25.3.07.  
 There are no dormant shares.

14 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.

15 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. Another company of the same group, D.E. Dirot Elite Ltd., (as specified in Section 3) also holds shares in the Company.

16 See Note 14 above

17 Options allotted to the director from among the employees according to an outline dated 15.11.05. In addition, 39,862 options will be allotted to the director, according to an outline for employees dated 22.2.07, after and subject to the approval of the general meeting scheduled for 15.4.07.

18 Options allotted to the director from among the employees according to an outline dated 15.11.05. In addition, 19,712 options will be allotted to the director, according to an outline for employees dated 22.2.07, after and subject to the approval of the general meeting scheduled for 15.4.07.

19 See Notes 17 and 18 above.

## 11. Registered Address of the Corporation

Address: 132 Menahem Begin Street, Azrieli Center (The Triangular Tower), Tel Aviv  
Telephone 1: 03-6262200; Telephone 2: 03-6262300; Fax: 03-6262209  
email: [Bosmatch@Bezeq.com](mailto:Bosmatch@Bezeq.com) (General Counsel and corporate secretary)

## 12. Directors of the Corporation

- A. (1) **Dov Weissglas** ID. No. 07853815  
(2) Date of birth: October 4, 1946  
(3) Address: 44 Lilienblum Street, Tel Aviv  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees: Chairman of the Security Committee and Chairman of the Committee for Regulation Issues<sup>20</sup>  
(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 July 12, 2006)  
(8) Date of start of tenure as a director: June 21, 2006  
(9) Education and employment during the past five years and details of the corporations in which he serves as director:  
LLB Tel Aviv branch of the Hebrew University of Jerusalem  
May 1, 2002 – August 1, 2004 – Head of Prime Minister's Bureau  
August 1, 2004 – June 1, 2006 – Special Adviser to the Prime Minister  
Since 1971 – Lawyer  
Director at:  
Bezeq International Ltd.  
Pelephone Communications Ltd.  
D.B.S. Satellite Services (1998) Ltd.  
(10) Related to an interested party in the Corporation: No
- B. (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: member of the Security Committee and the Committee for Regulation Issues  
(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 (until July 12, 2006 served as Chairman of the Company's Board of Directors)  
(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  
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:  
D.B.S. Satellite Services (1998) Ltd. (until September 17, 2006)  
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.

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<sup>20</sup> The Committee for Regulation Issues is a joint committee of members of the Board and Management, established to advise and make recommendations to the Board of Directors on the subject of regulation.

- 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.)
- C. (1) Name: **Pinchas (Barel) Buchris** ID No. 053305868  
 (2) Date of birth: April 11, 1956  
 (3) Address: Museum Tower, 4 Berkowitz Street, Tel Aviv 64238  
 (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:  
 B.Sc. – The Technion, Israel Institute of Technology  
 MBA – Derby University  
 From 2003 – Independent partner in the Apax Israel Investment Fund  
 Director at:  
 Protalix  
 Gmn  
 Raysat  
 Storewiz  
 A. Nuriel Knafaim Holdings  
 (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 undergraduate 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 adviser at Careline-Neca  
 From 2000 to the present – independent adviser – strategic consultation to retail companies in Israel and abroad  
 2000-2002 – Strategic advice 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 Frigo  
 (10) Related to an interested party in the Corporation: No
- E. (1) Name: **Michael Grabiner** ID. No. 800111117  
 (2) Date of birth: August 21, 1950  
 (3) Address: 35 Uphill Road, London NW7 4RA, UK  
 (4) Citizenship: British  
 (5) Membership of Board of Directors Committees: Member of the Committee for Regulation Issues

- (6) External Director: No
- (7) Employee of the corporation, a subsidiary, related company or interested party: Partner in Apax Partners LLP
- (8) Date of start of tenure as a director: June 21, 2006
- (9) Education and employment during the past five years and details of the corporations in which he serves as director:  
 MA Economics and Politics, Cambridge University  
 From February 2002, Partner, Apax Partners Worldwide LLP  
 Director at:  
 Spectrum Strategy Consultants Ltd.  
 Partnership for Schools Ltd  
 Synetrix Holding Ltd.  
 Nexagent Ltd
- (10) Related to an interested party in the Corporation: No
- F. (1) Name: **Zehavit Cohen** ID. No. 058344797
- (2) Date of birth: November 16, 1963
- (3) Address: 4 Berkowitz st. Museum Tower, Tel-Aviv
- (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: CEO of Apax Partners Israel Ltd.
- (8) Date of start of tenure as a director: June 21, 2006
- (9) Education and employment during the past five years and details of the corporations in which she serves as director:  
 BA Accounting, Duquesne University  
 MA Finance - University of Pittsburgh  
 MA ABD Accounting, University of Pennsylvania  
 PhD Finance La Salle University  
 From 1998 – Lecturer in Finance and Accounting, University of Pennsylvania  
 From 1998 – Deputy CEO and Chief Financial Officer, IDB Development Company Ltd.  
 From 2003 - Chief Financial Officer, IDB Holdings Company Ltd.  
 From 1998 - Deputy CEO and Chief Financial Officer, IDB Holdings Company Ltd.  
 From 2006 – CEO, Apax Israel
- (10) Related to an interested party in the Corporation: No
- (11) The Company considers the director to have accounting and financial expertise
- G. (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 manager in Shifman-Inbar Ltd.  
 Director at:  
 DBS Satellite Services (1998) Ltd.  
 Alrov Israel Ltd.  
 Arkin Communications Ltd.  
 Shifman-Inbar Ltd.  
 Mobile Solid Ltd.
- (10) Related to an interested party in the Corporation: No
- (11) The Company considers the director to have accounting and financial expertise
- H. (1) Name: **Adam Chesnoff\*** ID. No. 022113567
- (2) Date of birth: November 15, 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 Committee for Regulation Issues  
(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  
(11) The Company considers the director to have accounting and financial expertise  
\* 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.)
- I. (1) Name: **David Blumberg** ID No. 6184626  
(2) Date of birth: September 12, 1944  
(3) Address: 18 Uzia Street, Jerusalem  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees: Member of the Audit Committee  
(6) External Director: Yes. Has accounting and financial expertise.  
(7) Employee of the corporation, a subsidiary, related company or interested party: No  
(8) Date of start of tenure as a director: February 1, 2007  
(9) Education and employment during the past five years and details of the corporations in which he serves as director:  
BA Economics – Hebrew University of Jerusalem  
MBA - Hebrew University of Jerusalem  
1997 – 2005, Chairman, Board of Directors, Bank of Jerusalem  
From 2006 – owner of financial consultancy company  
Director at:  
B.S.S.CH – Israel Credit Insurance Company  
(10) Related to an interested party in the Corporation: No  
(11) The Company considers the director to have accounting and financial expertise
- J. (1) Name: **Dr Eyal Yaniv** ID. No. 056540644  
(2) Date of birth: June 21, 1960  
(3) Address: 38 Hakinor Street, Petah Tikva  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees: Audit Committee, Security Committee  
(6) External Director: Yes. Has professional qualification  
(7) Employee of the corporation, a subsidiary, related company or interested party:  
(8) Date of start of tenure as a director: February 1, 2007  
(9) Education and employment during the past five years and details of the corporations in which he serves as director:  
BA Psychology and Computer Sciences – Bar Ilan University  
MBA Psychology - Bar Ilan University  
PhD Business Administration, Bar Ilan University  
LLB – Kirya Akademit, Kiryat Ono  
Until 2002, CEO, Nonstop  
From 2002 strategic marketing consultant and personal trainer for managers

From 2003 – head of executive MBA program and lecturer in Business Administration (strategy, entrepreneurship and marketing) at Bar Ilan University and Hebrew University of Jerusalem

Director of an external corporation: No

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

- 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 she serves as director:  
BA Economics, Dartmouth College  
MBA, Harvard Business School  
2003-2006 Saban Capital Group (director)  
1999-2001 Associate (partner) 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, Herzliya  
(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. He sold all his holdings in December 2002. 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: **Yoav Rubinstein** ID No. 16447153  
(2) Date of birth: May 17, 1973  
(3) Address: Apartment 28, 2 Kehilat Venezia 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 is the investment manager of Apax Israel Investment Fund  
(8) Date of start of tenure as a director: June 21, 2006  
(9) Education and employment during the past five years and details of the corporations in which he serves as director:  
BA Business Administration – Interdisciplinary Center  
From 2000 - Investment Manager, Apax Partners  
Director at:  
Yellow Green Finance & Investment Ltd.  
Purple Green Project & Investment Ltd.

Ap.Sb.Ar. Holdings Ltd.  
Ap.Sb.Ar. Cayman Ltd.  
Genetrix

- (10) Related to an interested party in the Corporation: No
- N. (1) Name: **Tomer Guriel** ID No. 28752202  
(2) Date of birth: September 5, 1971  
(3) Address: Bezeq House, 2 Azrieli Center, 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: December 7, 2006  
(9) Education and employment during the past five years and details of the corporations in which he serves as director:  
MBA Tel Aviv University, Kellogg Recanati  
BA in Economics and Finance, Baruch College, New York  
From 2005 - Investment Manager and Owner, FE Capital Finances and Investments  
1999-2004 investment banking J.P. Morgan Chase & Co.  
Director at:  
Super Center – SZ Ltd. (Bulgarian company)
- (10) Related to an interested party in the Corporation: No
- O. (1) Name: **Rami Nomkin** ID No. 042642306  
(2) Date of birth: January 14, 1949  
(3) Address: 126 Mohilever 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 is IP Center Manager in the Business Division  
(8) Date of start of tenure as a director: January 17, 2007  
(9) Education and employment during the past five years and details of the corporations in which he serves as director:  
High School Education  
From 2007 - manager of Bezeq's IP center.  
From 2001 – Business Center Manager in the Telecommunications Division - Tel Aviv and Sharon Division  
2000 – Acting Area Manager, Bezeq - Tel Aviv and Sharon Division  
Until October 11, 2005 served as employee-director  
Director at another corporation: No
- (10) Related to an interested party in the Corporation: No
- P. (1) Name: **Yehuda Porat** ID No. 059769455  
(2) Date of birth: February 18, 1968  
(3) Address: 2 Mevo Haro'im, Har Adar 90836  
(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 is Manager of the Bugging Detection and Special Jobs Department.  
(8) Date of start of tenure as a director: January 17, 2007  
(9) Education and employment during the past five years and details of the corporations in which he serves as director:  
LLB, Hakiryia Ha'akademit, Kiryat Ono  
Practical Electronic Engineer, Bezeq College, Jerusalem  
Member of the Israel Bar Association  
Bugging Location and Detection course given by the external advisor to the Security Services  
Bugging Detection course – R.E.I., USA  
Basic Data Protection for Security Officers course – General Security Services  
Interrogation course – General Security Services  
Directors in Private and Public Companies course- The Israeli center for management

Advanced Directors course - The Israeli center for management  
Analysis of Financial Reports and Corporate Value Assessment course - The Israeli center for management  
Qualified Mediator course – Israel Bar Association  
From 1999 - Manager of Bezeq's Bugging Detection and Special Jobs Department  
Until October 11, 2005 served as employee-director  
Director in another corporation: No

(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, in a related company or in an interested party of the Company:  
Director at:  
BezeqCall Communications Ltd. (until it was merged with Bezeq International Ltd.)  
Pelephone Communications Ltd.  
Bezeq International 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 in a related company or in an interested party of the Company:  
Director at:  
Bezeq International Ltd. (until January 7, 2007)  
Pelephone Communications Ltd. (until January 7, 2007)  
BezeqCall Communications Ltd. (until it was merged with Bezeq International 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  
2001-2005 Senior VP Operations and Customer Service, Pelephone Communications Ltd.  
\*Appointed as acting CEO on 29/3/07 instead of the CEO who left for vacation, as detailed in the immediate report from that date.
- C. (1) Name: **Eliezer Mizroch** ID No. 025045139  
(2) Date of birth: February 1, 1973  
(3) Date of taking office: October 1, 2006  
(4) Position in the Company: Deputy CEO Strategy and Business Development  
Position in a subsidiary of the Company in a related company or in an interested party of the Company:  
Director at:  
Bezeq International Ltd.  
Bezeq Online Ltd (Chairman)  
Pelephone Communications 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 Business Administration, Cape Town University, South Africa  
1999-2002 – Manager of Strategy Department, Bank Hapoalim Retail Division

2003-2005 – Manager of Center for Strategic Management, Bank Hapoalim  
From 2005 - Manager of Marketing and Strategic Planning Department, Bank Hapoalim  
Retail Division

- D. (1) Name: **Ran Oz** ID No. 022832588  
(2) Date of birth: December 13, 1966  
(3) Date of taking office: January 31, 2007  
(4) Position in the Company: Deputy CEO and Chief Financial Officer  
Position in a subsidiary of the Company in a related company or in an interested party of the Company:  
Director at:  
Bezeq International Ltd.  
Pelephone Communications Ltd.  
(5) Related to a senior officer or to any interested party: No  
(6) Education and business experience over the past five years:  
BA Accounting and Economics, Hebrew University of Jerusalem  
MBA Business Administration and Economics, Hebrew University of Jerusalem  
2004-2006 – Senior Vice President and CFO Nice Systems Ltd.  
2001-2004 –CFO Ceragon Networks Ltd.
- E. (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 as VP and Corporate Secretary  
(4) Position in the Company: VP, General Counsel and Corporate Secretary  
Position in a subsidiary of the Company in a related company or in an interested party of the Company:  
Director at:  
BezeqCall Communications Ltd. (until it was merged with Bezeq International Ltd.)  
Pelephone Communications Ltd.  
(5) Related to a senior officer or to any interested party: No  
(6) Education and business experience over the past five years:  
LLB, Tel Aviv University  
1998-2007 Bezeq General Counsel (since November 16, 2005 also VP and Corporate Secretary)
- F. (1) Name: **Michel Hibert** ID No. 068200203  
(2) Date of birth: October 26, 1956  
(3) Date of taking office: December 5, 2006  
(4) Position in the Company: Deputy VP Engineering and Planning  
Position in a subsidiary of the Company in a related company or in 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  
April 1, 2006 – December 4, 2006 –VP Engineering and Planning  
August 12, 2004 – March 31, 2006 – Acting VP Engineering and Planning  
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: **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 in a related company or in 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

- H. (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 in a related company or in an interested party of the Company:  
Director at:  
Pelephone Communications 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, Hebrew University of Jerusalem  
MBA, Hebrew University of Jerusalem  
2003-2005 VP Marketing, Barak  
1997-2002 Marketing Manager, Business Sector, Cellcom
- I. (1) Name: **Yuval Rachlevsky** ID No. 030441430  
(2) Date of birth: June 22, 1950  
(3) Date of taking office: April 1, 2006  
(4) Position in the Company: VP Human Resources  
Position in a subsidiary of the Company in a related company or in 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 International Relations, Hebrew University of Jerusalem  
MBA Hebrew University of Jerusalem  
LLB Interdisciplinary Center Herzliya  
1999-2005 Commissioner for Wages and Labor Agreements in the Treasury
- J. (1) Name: **Sharon Fleischer Ben Yehuda** ID No. 028531648  
(2) Date of birth: April 25, 1971  
(3) Date of taking office: June 1, 2006  
(4) Position in the Company: VP Regulation  
Position in a subsidiary of the Company in a related company or in 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 Political Science, Hebrew University of Jerusalem  
MBA Public Policy and Administration, Hebrew University of Jerusalem  
Until May 31, 2006 VP Regulation Pelephone Communications Ltd.  
2001-2005 Manager Regulation and Government Relations Department Pelephone Communications Ltd.  
1995-2001 Senior Adviser to the Director-General of the Ministry of Communications
- K. (1) Name: **Eli Frank** ID No. 053337739  
(2) Date of birth: July 6, 1955  
(3) Date of taking office: September 19, 2006<sup>21</sup>  
(4) Position in the Company: VP Information Systems  
Position in a subsidiary of the Company in a related company or in 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:  
MBA Tel Aviv University  
B.Sc. Mathematics and Computer Science, Bar Ilan University  
Professional qualifications (Programming, Systems Analysis, etc.) Mamram [IDF Central Computing Facility]  
Since 2004 Information, Strategy and Management Consultant (freelance)  
December 2003 - June 2004 –VP and Department Manager Ness Information Technology

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<sup>21</sup> It is clarified that the above date is the date on which Eli Frank took office (and not August 15, 2006, as stated in a report of that date).

Services Group  
1999-2003 –VP CRM Systems Supply and Billing Division Amdocs

- L. (1) Name: **Malka Dror** ID No. 056524358  
(2) Date of birth: July 7, 1960  
(3) Date of taking office: August 15, 2006  
(4) Position in the Company: Acting Company Controller  
Position in a subsidiary of the Company in a related company or in 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  
CISA qualification for the position "Controller of Computer Systems"  
Course in Auditing and Information Systems Protection  
Course in Information Systems Analysis  
From December 2004 - August 15, 2006 served as Manager Audit Department and Deputy Company Controller, Bezeq  
1995-2004 – Department Manager, Bezeq
- M. (1) Name: **Nissim Alafiya** ID No. 051768000  
(2) Date of birth: November 6, 1952  
(3) Date of taking office: December 1, 2006  
(4) Position in the Company: VP Business Division  
Position in a subsidiary of the Company in a related company or in 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:  
Communications Engineer, Mississippi Kessler Afb  
MA Political Science – Haifa University  
From 2006 Consultant in Seker Co.  
2002-2005 – President and CEO Netcom  
1999-2002 – CEO Tevel Telecom (HOT – Telecom)
- N. (1) Name: **Einat Rom** ID No. 022079396  
(2) Date of birth: November 17, 1965  
(3) Date of taking office: December 5, 2006  
(4) Position in the Company: VP Private Customers Division  
Position in a subsidiary of the Company in a related company or in an interested party of the Company: Director at the subsidiary 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 Social Sciences – Haifa University  
November 2005 – December 5, 2006 – Project Manager Customer Service and Retention (private sector)  
2002-2005 –VP Customer Service Telephone Communications Ltd.  
1998-2002 – Manager, Center Department Telephone Communications Ltd.
- O. (1) Name: **Eyal Kamil** ID No. 057248999  
(2) Date of birth: August 30, 1961  
(3) Date of taking office: December 5, 2006  
(4) Position in the Company: VP Operations and Logistics  
Position in a subsidiary of the Company in a related company or in 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:  
B.Sc. Industrial Engineering and Management Tel Aviv University  
MBA Tel Aviv University  
2005-December 4, 2006 – Manager Change Administration Bezeq  
2001-2005 – Manager Organization and Methods Department Telephone Communication Ltd.

Following are the names of the senior officers who completed their term of service by the date of publication of the periodic report for 2006:

Directors:

Elon Shalev – completed his tenure as director on March 8, 2006  
Sachi ( Issachar) Gerlitz - completed his tenure as director on April 26, 2006  
Stephen Grabiner - completed his tenure as director on May 15, 2006  
Chanoch ( Alan) Barkat - completed his tenure as director on June 21, 2006  
Blanche Kay - completed her tenure as director on January 25, 2007  
Yigal Cohen Orgad - completed his tenure as director on January 25, 2007

Senior officers who are not directors:

Rami Hazan - completed his tenure as VP Marketing and Sales on January 1, 2006  
Ehud Mezuman - completed his tenure as Acting VP Management Resources on March 31, 2006  
Raz Heiferman - completed his tenure as VP Information Technology on August 14, 2006  
Danny Friedman - completed his tenure as Internal Auditor on August 14, 2006  
Ron Eilon - completed his tenure as Deputy CEO and CFO on August 28, 2006  
Shai Ben Yakar - completed his tenure as Acting CFO on January 31, 2007  
Erez Hasdai - completed his tenure as Acting VP Economics on January 31, 2007

**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.

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

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

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

On December 20, 2006 the General Meeting approved the replacement to the Company's Articles of Association.

On February 1, 2007 the registered capital was increased by 124,000,000 ordinary shares. The Company's Memorandum and Articles were amended accordingly.

#### **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 March 1, 2006 - 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.
- 16.2 September 14, 2006 – 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 400,000,064 (which constitute as at said date NIS 0.1535482 per share).
- 16.3 November 27, 2006 - to recommend to the General Meeting as follows:
  1. To distribute a cash dividend to the shareholders of the Company in a total amount of NIS 300,000,179 which constitute as at said date NIS 0.1151612 per share).

2. To replace the Articles of the Company with new articles (the wording of the proposed articles is attached to the immediate report on the calling of the meeting on that date).
- 16.4 December 3, 2006 – to recommend to the General Meeting, subject to approval from the court – the distribution of a cash dividend to the shareholders of the Company in a total amount of NIS 1,800,000,030 (which constitute as at said date NIS 0.6909668 per share) in a distribution which does not comply with the earnings test
  - 16.5 December 26, 2006 – to recommend to the General Meeting an increase in the registered capital of the Company by 124,000,000 ordinary shares of NIS 1 par value each, which shall have rights equal to those of the Company's ordinary shares of NIS 1 par value, and to allot options amounting to 5.5% of the Company's issued capital to the employees of the Company and to the senior management of the Group (up to 143,277,509 options are exercisable for 143,277,509 ordinary shares of NIS 1 par value each).

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

- 17.1 Approval of a recommendation from the Company's Board of Directors regarding distribution to the Company's shareholders of a cash dividend amounting to NIS 1,200,000,193. (Resolution **from March 23, 2006**).
- 17.2 Approval to enter into a management agreement with a management company which is a company (in the setup phase) owned and controlled by the shareholders of Ap.Sb.Ar. Holdings Ltd. ("Ap.Sb.Ar."). (Resolution from March 23, 2006).
- 17.3 Approval of the conditions of employment of the chairman. (Resolution from June 21, 2006).  
The General Meeting approved the terms of employment of Mr Dov Weissglas who is designated to be appointed chairperson by the Board of Directors. see Note 29(i) to the financial statements.
- 17.4 Approval of a recommendation from the Company's Board of Directors regarding distribution to the Company's shareholders of a cash dividend amounting to NIS 400,000,064. (Resolution from October 9, 2006).
- 17.5 Appointment of Mr Tomer Guriel as director. (Resolution from December 7, 2006).
- 17.6 Approval of a recommendation from the Company's Board of Directors regarding distribution to the Company's shareholders of a cash dividend amounting to NIS 300,000,179. (Resolution from December 20, 2006).
- 17.7 Replacement of the Company's Articles of Association with new articles. (Resolution from December 20, 2006).
- 17.8 Approval of distribution to the shareholders of a dividend amounting to NIS 1,800,000,030 which does not comply with the earnings test (with approval from the court). (Resolution from December 28, 2006).
- 17.9 Appointment of Rami Nomkin and Yehuda Porat as directors from among the employees. (Resolution from January 17, 2007).
- 17.10 Approval of a commitment to indemnify Company officers in advance. (Resolution from January 17, 2007) for any liability or expense imposed on officers as a result of actions they take in their capacity as officers of the Company, including actions in subsidiaries. The total amount of the indemnity is capped at 25% of the Company's share capital as it shall on the date of indemnification. The undertaking to indemnify shall apply to a list of types of occurrences as set forth in the addendum to the undertaking to indemnify.
- 17.11 Appointment of David Blumberg and Eyal Yaniv as external directors for a period of three years. (Resolution from February 1, 2007).
- 17.12 Approval of the terms of tenure of the external directors in accordance with the maximum tariffs set in the Company's Articles (Rules Regarding Remuneration and Expenses for an External Director), 5760 – 2000), including the granting of an undertaking to indemnify in advance. (Resolution from February 1, 2007).
- 17.13 Approval of an increase in the Company's registered capital by 124,000,000 ordinary shares of NIS 1 par value and a corresponding amendment to the Company's Memorandum and Articles. (Resolution from February 1, 2007).

- 17.14 Approval of the allotment of options and shares resulting from their exercise to the Company's employees and Group's senior management amounting to 5.5% of the Company's issued capital (143,277,509 options exercisable for 143,277,509 ordinary shares of NIS 1 par value each). (Resolution from February 1, 2007).

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

Approval to enter into a management agreement with a management company which is a company (in the setup phase) owned and controlled by the shareholders of Ap.Sb.Ar. Holdings Ltd. ("Ap.Sb.Ar."). Resolutions in connection with this matter were passed by the Audit Committee on March 8, 2006, by the Board on March 13, 2006 and by the General Meeting on March 23, 2006.

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

### **Insurance**

A resolution from May 16, 2005 regarding approval of the exercise of an option for the purchase of a run-off policy covering the liability of Company officers by virtue of which a run-off insurance policy was issued covering the liability of officers who served in the Company until the date of transfer of control, October 11, 2005, for a period of seven years from said date.

Resolution from August 3, 2005 regarding the extension of an officers' insurance policy including the run off option, for a period of up to four months.

Resolution from November 24, 2005 regarding approval of an agreement with Clal Insurance Company Ltd. to purchase a liability insurance policy for the Company's officers and approval of a "framework transaction" for a further two years to enter into agreement regarding future insurance policies.

The Board approved an agreement with Clal Insurance Company Ltd. for the purchases of an officers' liability insurance policy for one year from October 11, 2005 with a claim liability limit totaling 150 million dollars for each year of insurance. In addition, 30 million dollars per claim for all claims in the period of insurance for legal expenses in Israel only. The limit of liability for subsidiaries – 50 million dollars (as part of the above-mentioned limit of liability). Annual premium – 675,000 dollars + 1.5% stamp duty.

The Board also approved a "framework transaction" starting on the date of approval by the General Meeting for two years from the date of expiration of the current policy, for the Company to enter into an agreement as part of its normal course of business, regarding future insurance policies, valid (after expiration of the above-mentioned insurance policies) for coverage of the liability of directors and officers, as they shall be from time to time, including directors and officers who are or who are likely to be considered controlling parties in the Company, all by way of a "framework transaction" as defined in the Companies Regulations (Reliefs in Transactions with Interested Parties) 5760-2000 with an annual premium amounting to US \$675,000 plus a sum constituting 20% of said premium for the insurance cover amount currently existing (as set forth above) and 30 million dollars per claim for all claims in the period of insurance for legal expenses in Israel only. The limit of liability for subsidiaries – 50 million dollars (as part of the above-mentioned limit of liability).

If insurance cover is purchased in an amount different from the amount of the current insurance cover, the option of increasing the premium is capped at 20% of the premium for the current policy (US\$ 675,000). In other words, the maximum premium (after the increase) shall not exceed US\$ 810,000 for any occurrence.

### **Indemnification**

A resolution from January 17, 2007 concerning approval of the granting of an undertaking to indemnify in accordance with the Note to an undertaking to indemnify for each Company officer in respect of any liability or expense imposed on him by actions taken in his capacity as a Company officer (including his actions in subsidiaries), is within the limits laid down by the Companies Law. The amount of indemnification is capped at 25% of the Company's share capital as it shall be when the indemnification is granted. The undertaking to indemnify shall apply to a list of types of occurrences which is attached to the Note to an undertaking to indemnify which is attached to the immediate report

concerning the convening of a General Meeting to approve the granting of an indemnification commitment.

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

- A. An undertaking to indemnify in respect of the issuance under a prospectus from 1998.
- B. An undertaking to indemnify for a draft of the prospectus which was submitted to the Securities Authority in 1999.
- C. An undertaking to indemnify for Y2K risks.
- D. An undertaking to indemnify in respect of an allotment of shares, in everything relating to the framework agreement from January 13, 2002.
- E. An advance undertaking to indemnify 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 undertaking to indemnify Company officers who served in the Company at the time the undertaking 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 undertaking to indemnify was given, 15% and more of the issued share capital of the Company.
- G. An undertaking to indemnify to Company officers who served in the Company at the time an undertaking to indemnify was made 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. An undertaking to indemnify 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.
- I. An undertaking to indemnify from April 6, 2005 for financial liability imposed on Company officers for reasonable litigation expenses incurred by them in all matters pertaining directly or indirectly to a sale of State holdings in the Company.
- J. An undertaking from May 16, 2005 to indemnify Company officers who were in office during the seven years preceding the date of completion of the sale in the Company.

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Date

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"Bezeq" The Israel Telecommunication Corp. Limited

Name and title of signatories:

Dov Weissglas, Chairman of the Board

Yacov Gelbard, CEO