



Land Dispute Statement Of Defence

October 15, 2002

15th October, 2002

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Bezeq, in its statement of defense filed today in the real estate dispute with the State:

"IT WAS THE STATE WHICH DEPRIVED BEZEQ AND PREJUDICED ITS RIGHTS IN THE REAL ESTATE AFFAIR"

Bezeq: " The State's claim is refuted on its merits and is replete with flaws. We have already paid more than 15 NIS billion for the Company's assets, including the real estate

Bezeq filed its statement of defense today in the Jerusalem District Court, in the real estate dispute between it and the State. In its claim, the State made various allegations against Bezeq relating to the company's rights to the real estate that the State granted to the company for its operations.

In the 100-page statement of defense prepared by its lawyers, Ze'ev Hartabi, David Basson and Gilad Hess, Bezeq alleges that the claim should be dismissed in limine, both for pertinent and for procedural reasons. "This claim were better never filed," says Bezeq. "It is replete with flaws, and even more to the point, is refuted outright."

Bezeq emphasizes in its allegations that not only should the claim be dismissed, but "It is the State which deprived Bezeq and unlawfully prejudiced its rights."

Concerning the State's request that the Court direct that some of the real estate involved in the dispute be evacuated " Bezeq says that this demand cannot even be heard, due to lack of jurisdiction of the District Court to hear an application of this kind.

The statement of defense explains the legal status of the disputed real estate according to signed agreements between Bezeq and the State. Bezeq takes the position that the company owns the ownership rights in that real estate, or at least rights in its perpetual lease, discounted on ownership terms. Bezeq refers in its allegations both to the real estate received from the State under lease and to the real estate received with a legal status of "renewable rental". Bezeq contends that the fact that it has rights in the real estate means that like any landowner, it may utilize the property as it sees fit in any respect and for any type of business or other activity in which the company is involved. Bezeq emphasizes that the consideration agreed upon has already been paid to the State, and that to date the company has paid more than NIS 15 billion for its assets, among them the real estate. It stresses that at the time, the purpose of transferring the operation from the Ministry of Communications to Bezeq was to make the country's communications services more efficient, and says that since it became a separate company, it has been one of its duties to make the best possible use of its assets and resources for the good of the shareholders, who paid enormous amounts of money for the shares of a business oriented company and not of a government-dependent unit, as the State seems to be implying.

Bezeq contends that the claim should be dismissed. If the court does not allow Bezeq's application, then alternatively the court is requested to direct the State to amend its statement of claim and elucidate it, in view of the many legal flaws it contains.

Bezeq said that the statement of defense filed today is part of a proceeding instituted by the State, a proceeding that has forced Bezeq to defend itself with all the arguments at its disposal. Nevertheless, the filing of the defense does not mean that the parties have stopped trying to reach a settlement, and there has even been some progress recently in that direction.