



Legal Claim

September 5, 2001

Re: Immediate Report - Legal Claim

The Securities Authority, Jerusalem
The Tel Aviv Stock Exchange, Tel Aviv
The Registrar of Companies, Jerusalem

Dear Sirs,

Immediate notice is hereby given that a claim and application for approval as a class action were received at the Company's offices, filed in the Tel Aviv District Court by the Consumer Federation Authority and two additional plaintiffs.

The plaintiffs allege in their claim that the Company unlawfully collected fees for Pelephone Communications Ltd. ("Pelephone") in respect of airtime from calls from subscribers who are not Pelephone subscribers who make calls to Pelephone subscribers, disregarding material facts and/or with intent to mislead amounting to fraud, exploiting its monopolistic power in the market and reducing competition in the market. The plaintiffs further allege that the Company violated statutory duties, inter alia as prescribed in the Consumer Protection Law, the Torts Ordinance and the Anti-Trust Law, in that it conspired to create a cartel with Pelephone with the aim of harming its customer public.

The amount of the claim is estimated at NIS 41,712,075.

The Company is studying the claim and is unable, at this stage, to estimate its chances and/or its financial implications.

Yours sincerely,

**Shlomo Koppel
Company Secretary**