



Immediate Report - DBS Dilution Agreement

November 18, 2001

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

Dear Sirs,

Immediate Report - DBS Dilution Agreement.

Immediate notice is hereby given in the matter of D.B.S. Satellite Services Ltd. ("DBS"), as follows:

A. The Board of Directors of the Company approved, on 15 November 2001, the Company's contracting with other shareholders in DBS, in an agreement setting out an agreed mechanism for dilution of the holdings of those shareholders in DBS who have ceased to invest in the company, and adjustment of the percentages of holdings of the shareholders for their investments in DBS ("the Dilution Agreement").

1. Under the Dilution Agreement, the dilution will be implemented in two stages:

(a) In the first stage, which will be implemented immediately, the holdings of Bezeq in DBS will increase from 30% to 44.9%.

(b) In the second stage, which will be implemented in April 2002, the adjustment of holdings will be completed so that the part of each shareholder in DBS will reflect the rate of its actual investments in DBS (except for shareholders' loans, which a shareholder may elect to leave as such).

2. For the purposes of the Dilution Agreement, the investments of the shareholders in DBS will be computed plus interest at a rate of 5.5%, accumulated annually, with linkage to the Consumer Price Index.

B. With the increase of Bezeq's holdings in DBS from 30% to 44.9%, Bezeq is expected to record an increase in the proportional rate of its losses in DBS.

Yours sincerely,

**Shlomo Koppel
Company Secretary**