

March 18, 2004

The Securities Authority  
22 Kanfei Nesharim Street  
Jerusalem

**Re: Periodic Report for 2003**

Company Name: Bezeq, the Israel Telecommunication Corp. Limited

Company No.: 52-003193-1

Address: 15 Hatzvi Street, Jerusalem 91010

Telephone: 02-539-5333 (CEO) – Facsimile: 02-537-8184

E-mail: [shimonn@bezeq.com](mailto:shimonn@bezeq.com) (corporate secretary)

Balance Sheet Date: December 31, 2003

Report Date: March 18, 2004  
(Regulations 1 and 7)

**Regulation 9: The Financial Statements**

Attached

**Regulation 10: Directors' Report on the State of the Company's Affairs**

Attached

**Regulation 10A: Condensed Quarterly Statements of Operation for the year ended December 31, 2003 (in millions of shekels)**

	2003				
	<u>Total</u>	<u>Quarter 4</u>	<u>Quarter 3</u>	<u>Quarter 2</u>	<u>Quarter 1</u>
Revenues	7,891.3	1,967.6	2,079.1	1,956.2	1,978.4
Costs and expenses	6,887.9	1,710.4	1,773.1	1,680.7	1,723.7
Operating income	1,093.3	257.2	305.9	275.5	254.7
Financing expenses	157.5	27.5	46.1	52.1	31.8
Other expenses (income)	983.2	729.4	252.01	1.7	0.09
Company's equity in losses of investee companies	343.3	66.8	83.3	124.2	69.0
Net earnings (loss)	(437.8)	(439.6)	(84.8)	19.1	67.5

**Regulation 10C: Use of Proceeds from Securities with Reference to their Designation as per the Prospectus**

No issuance was made under a prospectus.

**Regulation 11: Schedule of Investments in Subsidiaries and Related Companies as at the Balance Sheet Date**

Company name	Name of holder	Class of share	No. of shares	Total par value	Rate of holding in %	Adjusted cost in NIS thousands	Adjusted book value in NIS thousands
Pelephone Communications Ltd.	The Company	Ordinary NIS 1	151,230,000	151,230,000	50%	543,007	938,274
Bezeq International Ltd.	The Company	Ordinary NIS 0.1	1,000,000,000	100,000,000	100%	306,361	254,933
BezeqCall Communications Ltd.	The Company	Ordinary NIS 1	35,537,220	35,537,220	100%	51,767	51,152
BezeqCall Ltd.*	The Company	Ordinary NIS 0.1	400,000,000	40,000,000	100%	0	3,904
Bezeq Globe Ltd.*	The Company	Ordinary NIS 1	1,000,636	1,000,636	100%	17,292	1,987
Aphrodite B.V. Amsterdam*	The Company	Ordinary 1,000 Gulden	26.64	26,640 Gulden	66.60%	0	0
D.B.S. Satellite Services (1998) Ltd.	The Company	Ordinary NIS 1	13,512	13,512	49.80%	1,248,606	197,868
Bezeq On Line Ltd.	The Company	Ordinary NIS 1	85,000	85,000	100%	23,375	24,199
GoNext Ltd.	Pelephone	Ordinary NIS 0.1	100,000	10,000	100%	11	26,507
Walla! Communications Ltd.	Bezeq International	Ordinary NIS 1	8,488,779	8,488,779	36.74%	66,196	12,704

\* Inactive company.

1. Bezeq International Ltd. includes an investment of NIS 167,214 thousand given as a CPI-linked shareholders' loans, bearing no interest and for which no repayment date has been set.
2. Bezeq Globe Ltd. is in voluntary liquidation proceedings.
3. DBS includes an investment of NIS 1,248,606 thousand made by means of loans, of which NIS 971,180 thousand are linked to the known CPI index, NIS 166,665 thousand are linked to the known CPI index and bear 5.5% interest, and NIS 110,761 thousand are linked to the known CPI index and bear interest at 11%.
4. Bezeq OnLine includes an investment of NIS 1,048 thousand given as a shareholders' loan. The loan is linked to the CPI and bears no interest.
5. GoNext includes an investment of NIS 64,970 thousand given as a capital note that is unlinked and interest-free and without a repayment date.
6. Walla! Communications Ltd. includes an investment of NIS 13,945 thousand as a CPI-linked interest-free shareholders' loan.
7. Adanet For Business Group Ltd. and its subsidiaries are in temporary liquidation or temporary receivership. Accordingly, the Company has no balance sheets of those companies as at December 31, 2003. The total investment in the Adanet Group was NIS 45,057 thousand, all of which was written off in 2003.

**Regulation 12: Changes in Investments in Subsidiaries and Related Companies**  
**During the Report Period**

Date of change	Nature of change	Name of company	No. of shares on the stock exchange	Class of shares	Total par value	Nominal cost	Adjusted cost
1.03	Shareholders' loan	DBS				13,404	13,126
2.03	Shareholders' loan	DBS				13,681	13,345
3.03	Shareholders' loan	DBS				21,402	20,837
4.03	Shareholders' loan	DBS				7,956	7,762
5.03	Shareholders' loan	DBS				17,516	17,171
6.03	Shareholders' loan	DBS				34,417	33,916
7.03	Shareholders' loan	DBS				1,989	1,976
8.03	Shareholders' loan	DBS				5,589	5,539
9.03	Shareholders' loan	DBS				11,910	11,864
10.03	Shareholders' loan	DBS				17,684	17,613
11.03	Shareholders' loan	DBS				8,798	8,780
12.03	Shareholders' loan	DBS				2,900	2,898
12.03	Linkage differentials and interest	DBS				(11,012)	12,081
1.03	Shareholders' loan	Adanet Business Group				971	950
2.03	Shareholders' loan	Adanet Business Group				1,900	1,853
3.03	Shareholders' loan	Adanet Business Group				717	698
4.03	Shareholders' loan	Adanet Business Group				1,355	1,321
6.03	Shareholders' loan	Adanet Business Group				656	646
7.03	Shareholders' loan	Adanet Business Group				1,074	1,066
8.03	Shareholders' loan	Adanet Business Group				2,278	2,258
9.03	Shareholders' loan	Adanet Business Group				3,303	3,290
10.03	Shareholders' loan	Adanet Business Group				360	359
11.03	Shareholders' loan	Adanet Business Group				525	524
6.03	Write-off of investment account	Adanet Business Group				(44,110)	(45,187)
12.03	Linkage differentials and interest	Adanet Business Group				1,186	1,891

**Regulation 13: Revenues of Subsidiaries and Related Companies and Revenues of the Corporation from them as at the Balance Sheet Date (in NIS thousands)**

<u>Company name</u>	<u>Earnings (loss) before tax</u>	<u>Earnings (loss) after tax</u>	<u>Dividend</u>	<u>Management fees</u>	<u>Interest</u>
<b>NIS thousands</b>					
Telephone Communications Ltd.	49,316	24,803	0	0	1,452
Bezeq International Ltd.	(66,439)	(70,547)	0	0	0
BezeqCall Communications Ltd.	1,136	958	0	0	0
BezeqCall Ltd.	0	0	0	0	0
D.B.S. Satellite Services (1998) Ltd.	(555,144)	(555,144)	0	0	0
Bezeq On Line Ltd.	74	(126)	0	0	0
GoNext Ltd.	(284)	(284)	0	0	0
Walla*	(1,355)	(1,355)	0	0	0

\* As at the date of approval of the financial statements, the balance sheet for 2003 had not yet been approved.

**Regulation 14: List of Groups of Loan Balances Extended as at the Balance Sheet Date if the Extension of Loans was one of the Corporation's Main Lines of Business**

**Regulation 20: Stock Exchange Trading – Listed Shares – Dates and Causes of Suspended Trading**

**Regulation 21:**

<b>Cost of wages</b>	<b>2003</b>
	<b>In NIS of December 2003</b>
Internal auditor	2,246,641*
Director	841,570
Corporate Secretary	765,976
VP – Operating Division	745,818
VP – Corporate Division	744,412

\* Including NIS 1,607,708 of payments for early retirement

**Regulation 22: Salary and Benefits**

(A) Members of the Board of Directors who are not employed by the Company and are not State employees, received compensation, salary and associated expenses in 2003 amounting to NIS 1,695 thousand.

(B) The cost of the salary of the CEO and the Chairman of the Board in 2003: NIS 1,678 thousand.

**Regulation 24: Shares and Convertible Securities Held by Interested Parties in the Corporation, a Subsidiary or Related Company, as Close as Possible to the Report Date**

As at March 18, 2004

<u>Holder's name</u>	<u>Type of security</u>	<u>Number of convertible securities</u>	<u>Number of shares</u>	<u>Par value in NIS</u>	<u>Rate of holding in control</u>	<u>capital</u>
1. State of Israel	Ordinary		1,278,982,513	1,278,982,513	49.1	
2. Zeevi Communications Holdings Ltd.	Ordinary		459,331,617	459,331,617	17.63	
3. D.E. Elite Apartments Ltd.	Ordinary		3,097,697	3,097,697	0.12	
4. Barak Avraham	Ordinary		30	30		
5. Hava Shechter	Ordinary		12,150	12,150		

**Note to Item 2** – Zeevi Communications Holdings Ltd. holds 459,331,617 shares of Bezeq. On November 12, 2002 a receiver, Adv. Alex Hartman, was appointed to that company and authorized to exercise the rights relating to the Bezeq shares in accordance with a decision and the approval of the court. It should be noted that this company is part of the Zeevi Group, and that another company from the same group, D.E. Elite Apartments Ltd., holds 3,097,697 Bezeq shares (as noted in Item 3)

**Note to Item 3** - D.E. Elite Apartments Ltd. is a member of the Zeevi Group. Another company in the same group, which is in receivership as noted in the Note to item 2, holds 459,331,617 Bezeq shares.

**Regulation 24A:**

Registered capital is 2,625,000,000 shares of NIS 1 par value each.

Issued capital is 2,605,045,611 shares of NIS 1 par value each, equal in all their rights.

There are no dormant shares or convertible securities.

## Regulation 26: The Directors of the Corporation

1. (1) Name: **Miriam (Miki) Mazar** ID No.: 007160179  
(2) Date of birth: 20.10.35  
(3) Address: 29 Leissin Street, Tel Aviv  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees:  
Organization, Billing/Computerization, Issuances/Privatization, Finance, Assets,  
Appointments (Chair), By-Laws, Security (Chair).  
(6) External Director: No  
(7) Employee of the Corporation, subsidiary, related company or interested party: Yes  
(Chairperson of the board of directors – from 1.1.03)  
(8) Date of start of tenure as a director: 15.6.98\*  
(9) Education and employment during the past five years and details of the corporations  
in which served (or serves) as director: Academic, Lawyer.  
DBS Satellite Services (1998) Ltd.  
Pelephone Communications Ltd.  
El-AI  
Since 2003 – Chairperson of the Board of Bezeq  
Since 1984 – Member of Tel Aviv-Yafo City Council  
Since 1993 – Chairperson of Tel Aviv-Yafo City Council  
Since Dec. 1996 – Chairperson of Dan Urban Association for Sewerage and Quality  
of the Environment  
Since 1999 – Chairperson of Municipal Corporations Committee - Tel Aviv-Yafo  
Municipality  
(10) Related to another interested party in the Corporation: No.  
\* Except for a short break. Current term commenced on 6.3.02.
2. (1) Name: **Yoram Aridor** ID No.: 004346086  
(2) Date of birth: 24.10.33  
(3) Address: 38 Oranim Avenue, Ramat Efal  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees:  
Organization, Billing/Computerization, Finance, By-laws (Chair), Market Risk  
Management, Security (Chair).  
(6) External Director: No  
(7) Employee of the Corporation, subsidiary, related company or interested party: No.  
(8) Date of start of tenure as a director: 18.9.02  
(9) Education and employment during the past five years and details of the corporations  
in which served (or serves) as director:  
M.Jur. – Law.  
B.A. Social Sciences, (minors - economics and political science)  
Chairman of Israel Chess Association \*  
Member of Association for the Prevention, Treatment, Convalescence, and  
Research of Internal Illnesses and FMF\*  
External lecturer – Law department, Tel Aviv University  
1994-2000 Director at “Maalot” The Israel Securities Rating Company Ltd.  
Since 2003 – Member of the League of Friends of the Academic College – Netanya\*  
(10) Related to an interested party in the Corporation: No.  
\* On a voluntary basis

3. (1) Name: **Amal Ass'ad (Brig. Gen. (Res.))** ID No.: 5376288  
 (2) Date of birth: 7.9.55  
 (3) Address: Ussifiya 30090, P.O. Box 1261  
 (4) Citizenship: Israeli  
 (5) Membership of Board of Directors Committees:  
 Organization, Billing/Computerization, Finance, Marketing, Investments and Strategy.  
 (6) External Director: No  
 (7) Employee of the Corporation, subsidiary, related company or interested party: No.  
 (8) Date of start of tenure as a director: 14.11.01  
 (9) Education and employment during the past five years and details of the corporations in which served (or serves) as director:  
 B.A. in Humanities – General history  
 M.A. in Political science –Middle East and national security.  
 Self-employed owner of a company for project consulting and management in the Arab, Druze sector  
 Manager of several educational and sports projects.  
 Director of Israel Military Industries  
 1997–1999 – Head of the security coordination and cooperation with the Palestinians.  
 1994–1997 – Deputy commander of liaison unit with Lebanon.  
 (10) Related to an interested party in the Corporation: No.

4. (1) Name: **Avraham Barak** ID No.: 3055795-3  
 (2) Date of birth: 30.1.50  
 (3) Address: 11, Tidhar Street, Ramat Gan  
 (4) Citizenship: Israeli  
 (5) Membership of Board of Directors Committees:  
 Audit, Finance (Chair), Property, Marketing, Investments and Strategy, Appointments, Market Risk Management.  
 (6) External Director: No  
 (7) Employee of the Corporation, subsidiary, related company or interested party: No.  
 (8) Date of start of tenure as a director: 12.10.97\*  
 (9) Education and employment during the past five years and details of the corporations in which served (or serves) as director:  
 B.A. in Economics and Computer Sciences – Bar Ilan University  
 Pelephone Communications Ltd.  
 Since 2001 – CEO of Yissum – Research and Development Company of the Hebrew University of Jerusalem; as CEO of Yissum, he serves as a director in Medibar, Nanoptics, Novagali, Oxon Medica, S.B.T., Syndromex, Yissum T.A.T.  
 1995 – 1999 Melrose Investments (Israel) Ltd - private business.  
 Director at Melrose Investments (Israel) Ltd., Kayakei Hagoshrim Ltd., Newport Orchards Ltd., Ilanot Carmel Ltd., Ilanot Carmel Investments (1993) Ltd., Avraham Barak & Co. Consulting Services Ltd., Extra Maofim Ltd., Extra Capital Markets Ltd., Emerald Management & Underwriting Ltd., Lightcom (Israel) Ltd., Lightcom S.A., Sensogen Ltd.  
 (10) Related to an interested party in the Corporation: No.

\* Except for a short break. Current term commenced on 9.4.04.

5. (1) Name: **Dalit Braun** ID No.: 022416929  
(2) Date of birth: 19.6.66  
(3) Address: 6 Simtat Hataavor, Tel Aviv  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees:  
Billing/Computerization (Chair), Organization, Audit, Issuances/Privatization,  
Marketing, Investments and Strategy, Insurance, Selection of Computerization  
Consultant.  
(6) External Director: No  
(7) Employee of the Corporation, subsidiary, related company or interested party: No.  
(8) Date of start of tenure as a director: 18.9.02  
(9) Education and employment during the past five years and details of the corporations  
in which served (or serves) as director:  
M.B.A. – Tel Aviv University  
LL.M. – European Business law, Anglia University, UK  
B.Sc. – Industry and Management, Technion  
Since 1996, CEO of RAD Binat Assets & Services  
Director at Bazukan Integrations Ltd.  
(10) Related to an interested party in the Corporation: No.

6. (1) Name: **Blanche Kay** ID No.: 048202717  
(2) Date of birth: 19.3.30  
(3) Address: 10 Mania and Israel Street, Tel Aviv  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees:  
Organization, Audit, Finance, Property (Chair), Appointments, By-laws, Security.  
(6) External Director: Yes  
(7) Employee of the Corporation, a subsidiary, related company or an interested party:  
No.  
(8) Date of start of tenure as a director: 23.11.00\*  
(9) Education and employment during the past five years and details of the corporations  
in which served (or serves) as director:  
M.G.r Law Degree – Hebrew University of Jerusalem  
Since Dec. 2002 – Chair of Judicial Appeal Committee – District Court  
Mediator in legal cases in various courts  
1973–1994 Judge (early retirement)  
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.  
2000 – Director in the Dead Sea Shore Development Company.  
Since 2002 – External director of Optima Enterprise & Investments  
(10) Related to an interested party in the Corporation: No.

\* Except for a short break. Current term commenced on 26.1.04.

7. (1) Name: **Shimon Levy (Police Commander, Ret.)** ID No.: 061137741  
 (2) Date of birth: 19.5.46  
 (3) Address: 1 Shlomo Adani Street, Be'er Sheva  
 (4) Citizenship: Israeli  
 (5) Membership of Board of Directors Committees:  
 Organization (Chair), Audit, Property, Marketing, Investments and Strategy,  
 Security.  
 (6) External Director: No  
 (7) Employee of the Corporation, subsidiary, related company or interested party: No.  
 (8) Date of start of tenure as a director: 17.12.01.  
 (9) Education and employment during the past five years and details of the corporations  
 in which served (or serves) as director:  
 B.A. in History and Jewish Philosophy  
 Since 2001 – Managing Director of Ofakim Geriatric Hospital  
 1999-2001 – Chairman of the Society for the Elderly – Ofakim.  
 Since 2001 – Security advisor for Le'umit Health Fund.  
 (10) Related to an interested party in the Corporation: No.
8. (1) Name: **Shilo Lifschutz** ID No.: 054924196  
 (2) Date of birth: 27.11.57  
 (3) Address: 12 Zvi Segal Street, Ramot, Jerusalem  
 (4) Citizenship: Israeli  
 (5) Membership of Board of Directors Committees:  
 Billing/Computerization, Issuances/Privatization, Finance, Marketing, Investments  
 and Strategy, Market Risks (Chair), Insurance.  
 (6) External Director: No  
 (7) Employee of the Corporation, subsidiary, related company or interested party: No  
 (8) Date of start of tenure as a director: 17.12.01  
 (9) Education and employment during the past five years and details of the corporations  
 in which served (or serves) as director:  
 B.A. – Economics, Hebrew University of Jerusalem  
 M.B.A. – Hebrew University of Jerusalem  
 Hebrew University of Jerusalem, Jerusalem College, Derby University, Futures &  
 Options Institute Ltd., United Mizrahi Bank.  
 (10) Related to an interested party in the Corporation: No.

9. (1) Name: **Rachel Kremmerman-Meridor** ID No.: 00146403  
(2) Date of birth: 30.7.37  
(3) Address: 36 Be'eri Street, Tel Aviv  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees:  
Organization, Audit, Finance, Marketing, Investments and Strategy (Chair).  
(6) External Director: No  
(7) Employee of the Corporation, subsidiary, related company or interested party: No.  
(8) Date of start of tenure as a director: 14.11.01\*  
(9) Education and employment during the past five years and details of the corporations  
in which served (or serves) as director:  
B.A. Law – Hebrew University of Jerusalem  
M.B.A. – Swainborne University , Australia  
Management and publishing – Private.  
Wood Veneer Concern – listed on the American stock exchange  
Ramid – private companies  
Metrag – private company  
(10) Related to an interested party in the Corporation: No.

10. (1) Name: **Rami Nomkin** ID No.: 042642306  
(2) Date of birth: 14.1.49  
(3) Address: 126 Mohliver Street, Yehud  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees:  
Billing/Computerization, Issuances/Privatization, Property.  
(6) External Director: No  
(7) Employee of the Corporation, subsidiary, related company or interested party:  
Yes – Employee Director.  
(8) Date of start of tenure as a director: 3.8.98\*  
(9) Education and employment during the past five years and details of the corporations  
in which served (or serves) as director:  
High School.  
1989-1999 – Deputy Manager of Lev Tel Aviv District  
2000 – Acting Manager of Lev Tel Aviv District  
Since 2001 – Manager of Business Support and Service Unit.  
(10) Related to an interested party in the Corporation: No.

\* Except for a short break. Current term commenced on 6.9.01.

11. (1) Name: **Yigal Cohen-Orgad** ID No.: 7703143  
(2) Date of birth: 30.8.37  
(3) Address: 17 Ha'Erez Street, Ariel  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees:  
Audit, Issuances/Privatization, Finance, Property, Marketing, Investments and Strategy  
(6) External Director: Yes  
(7) Employee of the Corporation, subsidiary, related company or interested party: No  
(8) Date of start of tenure as a director: 26.1.04  
(9) Education and employment during the past five years and details of the corporations in which served (or serves) as director:  
B.A. in Economics and Education  
Chairman of the Executive Committee of the Judea and Samaria Academic College  
Self-employed – Construction project manager  
(10) Related to an interested party in the Corporation: No.

12. (1) Name: **Hava Shechter** ID No.: 051907178  
(2) Date of birth: 23.4.54  
(3) Address: 11 Ahimeir Street, Tel Aviv  
(4) Citizenship: Israeli  
(5) Membership of Board of Directors Committees:  
Issuances/Privatization (Chair), Finance, Marketing, Investments and Strategy, Appointments, sub-committee for Market Risk Management, Insurance.  
(6) External Director: No  
(7) Employee of the Corporation, subsidiary, related company or interested party: No.  
(8) Date of start of tenure as a director: 17.11.99\*  
(9) Education and employment during the past five years and details of the corporations in which served (or serves) as director:  
M.B.A. - Tel Aviv University  
B.A. in Economics– Tel Aviv University  
1996–1999 – Ramot Shechter & Co. Investment House Ltd.  
1999 – H. Schechter & Co. Investment House Ltd.  
Director in Hed Association (until 3/2004) and Gachelet..  
(10) Related to an interested party in the Corporation: No.

\* Current term commenced on 18.11.02.

13. (1) Name: **Benny Vaknin** ID No.: 63127542  
 (2) Date of birth: 5.12.50  
 (3) Address: 42 Hatayassim Street, Ashkelon  
 (4) Citizenship: Israeli  
 (5) Membership of Board of Directors Committees:  
 Issuances/Privatization, Marketing, Investments and Strategy, Appointments.  
 (6) External Director: No  
 (7) Employee of the Corporation, subsidiary, related company or interested party: Yes.  
 Chairman of the Board of Directors of Pelephone  
 (8) Date of start of tenure as a director: 9.4.03  
 (9) Education and employment during the past five years and details of the corporations  
 in which served (or serves) as director:  
 M.A. in Economics and Business Management – Tel Aviv University  
 B.A. in Law – Tel Aviv University  
 1991-2003 – Mayor of Ashkelon.  
 Since 2003 – Chairman of the Board of Pelephone  
 Director in M.L. Properties Ltd., The Company for Property and Economy, Ashkelon  
 Industries  
 (10) Related to an interested party in the Corporation: No.
14. (1) Name: **Shoshana Weinschel** ID No.: 004194734  
 (2) Date of birth: 7.10.35  
 (3) Address: 12A Kissufim Street, Tel Aviv  
 (4) Citizenship: Israeli  
 (5) Membership of Board of Directors Committees:  
 Audit (Chair), Issuances/Privatization, Finance, Market Risk Management,  
 Insurance.  
 (6) External Director: No  
 (7) Employee of the Corporation, subsidiary, related company or interested party: No.  
 (8) Date of start of tenure as a director: 11.4.02  
 (9) Education and employment during the past five years and details of the corporations  
 in which served (or serves) as director:  
 LL.B. – Tel Aviv University. Licensed to work as a lawyer.  
 Mercantile Discount Bank Ltd., Rafael Ltd., Keshet Rent-a-Car Ltd., Gav-Yam Ltd.,  
 Director and chair of credit committee of Mercantile Discount Bank Ltd.,  
 Member of the management of Yad Vashem  
 Member of Revivi Commission.  
 (10) Related to an interested party in the Corporation: No.

**Regulation 26A: Senior Officers of the Corporation**

1. (1) Name: **Amnon Dick** ID No.: 51770568  
(2) Date of birth: 20.11.52  
(3) Position in the Corporation: President & CEO  
(4) Position in a subsidiary of the Corporation or of an interested party therein:  
Director of DBS Satellite Services (1998) Ltd.  
Director of Pelephone Communications Ltd.  
(5) Related to a senior officer or interested party in the Corporation: No.  
(6) Education and business experience during the past five years:  
M.B.A. – Tel Aviv University  
B.A. in Economics – Tel Aviv University  
  
2001-2003 – Businessman and consultant to international companies  
1997-2001 – Chairman and CEO of Elite International  
(7) Date of start of tenure: 17.8.03
  
2. (1) Name: **Paul Weissbach** ID No.: 14919013  
(2) Date of birth: 15.12.45  
(3) Position in the Corporation: VP – Engineering and Planning, and Deputy CEO  
(4) Position in a subsidiary of the Corporation or of an interested party therein: None  
(5) Related to a senior officer or interested party in the Corporation: No.  
(6) Education and business experience during the past five years:  
M.A. in Physics  
B.A. in Physics  
  
1994-1996 – VP Operations at Pelephone Communications Ltd.  
1991-1994 – Deputy VP Engineering for Integrated Planning  
(7) Date of start of tenure: 1.6.96
  
3. (1) Name: **Ari Bronstein** ID No.: 024455404  
(2) Date of birth: 30.7.69  
(3) Position in the Corporation: VP Economics & Business Development  
(4) Position in a subsidiary of the Corporation or of an interested party therein: Director at Xpert Integrated Systems Ltd.  
(5) Related to a senior officer or interested party in the Corporation: No.  
(6) Education and business experience during the past five years:  
M.A. – Accounting and Finance  
B.A. Management and Economics  
  
Stage One Venture Capital Fund – Chairman of Investments Committee  
Eurofund Venture Capital Fund – Member of Investments Committee  
Koor Tadiran Gemel – External director and Chairman of Investments Committee  
1999-2000 – Manager of Business Analysis at Comverse Ltd.  
Since 2000 – Manager of Financing and Investments at Bezeq  
(7) Date of start of tenure: 7.1.04  
On 1.1.04, appointed in charge of Business Development.

4. (1) Name: **Bosmat Chelouche** ID No.: 052592664  
 (2) Date of birth: 8.5.54  
 (3) Position in the Corporation: General Counsel  
 (4) Position in a subsidiary of the Corporation or of an interested party therein: None  
 (5) Related to a senior officer or interested party in the Corporation: No.  
 (6) Education and business experience during the past five years:  
 B.A. Law – Tel Aviv University  
 1994-1998 – General Counsel and Corporate Secretary at Tadiran Ltd.  
 (7) Date of start of tenure: 1.9.98
5. (1) Name: **Ron Eilon** ID No.: 059211772  
 (2) Date of birth: 27.5.65  
 (3) Position in the Corporation: CFO  
 (4) Position in a subsidiary of the Corporation or of an interested party therein: Director at Telephone Communications Ltd and DBS Satellite Services (1998) Ltd.  
 (5) Related to a senior officer or interested party in the Corporation: No.  
 (6) Education and business experience during the past five years:  
 M.B.A. - Finance  
 B.A. – Economics  
  
 External director at Otzarit.  
 1999-2003 – CFO at MIRS, Motorola  
 1996-1999 – Deputy Budget Director, Ministry of Finance  
 (7) Date of start of tenure: 2.3.03
6. (1) Name: **Danny Friedman** ID No.: 014684385  
 (2) Date of birth: 17.9.59  
 (3) Position in the Corporation: Internal Auditor  
 (4) Position in a subsidiary of the Corporation or of an interested party therein: None  
 (5) Related to a senior officer or interested party in the Corporation: No.  
 (6) Education and business experience during the past five years:  
 B.A. Economics and Statistics – Hebrew University of Jerusalem  
 B.A. Accounting – Hebrew University of Jerusalem  
 M.A. Economics and Statistics  
 CIA Certified Internal Auditor (U.S.A.)  
 CISA Certified Information Systems Auditor (U.S.A.)  
  
 Since 1987 – Chief Financial Auditor at Bezeq  
 (7) Date of start of tenure: 1.12.03

7. (1) Name: **Raz Heiferman** ID No.: 67614339  
 (2) Date of birth: 25.1.49  
 (3) Position in the Corporation: VP Information Technologies  
 (4) Position in a subsidiary of the Corporation or of an interested party therein: Director at Bezeq On Line Ltd.  
 (5) Related to a senior officer or interested party in the Corporation: No.  
 (6) Education and business experience during the past five years:  
 M.B.A.  
 B.A. in Economics and Statistics  
  
 1992-1997 – Contahal Ltd. Last position – Head of the Technology and Software Engineering Division.  
 (7) Date of start of tenure: 16.3.97
8. (1) Name: **Gidon Kadussi** ID No.: 057362584  
 (2) Date of birth: 14.1.62  
 (3) Position in the Corporation: Vice President reporting to the CEO  
 (4) Position in a subsidiary of the Corporation or of an interested party therein: Member of the board of Bezeq International Ltd.  
 (5) Related to a senior officer or interested party in the Corporation: No.  
 (6) Education and business experience during the past five years:  
 B.Sc. – Electronic engineering  
 M.B.A.  
 Teaching certificate  
  
 January 2000-November 2003 – VP Human Resources  
 April 1999-January 2000 – Head of Operating Division, Central District  
 1996-1999 – Manager of Shfela District  
 1993-1996 – Deputy Manager - Switching  
 (7) Date of start of tenure: 1.12.03  
  
 \* Will end his term with the company on 18.4.04
9. (1) Name: **Yossi Malka** ID No.: 005521190  
 (2) Date of birth: 9.7.46  
 (3) Position in the Corporation: Head of Northern Operating Division  
 (4) Position in a subsidiary of the Corporation or of an interested party therein: None  
 (5) Related to a senior officer or interested party in the Corporation: No.  
 (6) Education and business experience during the past five years:  
 B.A. – Political science and Sociology.  
  
 January 1999 – January 2000 – Head of Galil District in Haifa and the North.  
 Since 30.1.2000 – Manager of Performance Division, Haifa and the North  
 (7) Date of start of tenure: 30.1.00

10. (1) Name: **Avinoam Menahem** ID No.: 50004084  
 (2) Date of birth: 27.4.50  
 (3) Position in the Corporation: Head of Jerusalem and the South Operating Division  
 (4) Position in a subsidiary of the Corporation or of an interested party therein: None  
 (5) Related to a senior officer or interested party in the Corporation: No.  
 (6) Education and business experience during the past five years:  
 B.A. – Economics and Labor studies, Tel Aviv University  
 M.A. – Public Administration, Bar Ilan University  
  
 1998 - 2000 – Manager – Sharon district  
 (7) Date of start of tenure: 29.8.00
11. (1) Name: **Shimon Netzer** ID No.: 024809402  
 (2) Date of birth: 19.1.70  
 (3) Position in the Corporation: Corporate Secretary  
 (4) Position in a subsidiary of the Corporation or of an interested party therein: None  
 (5) Related to a senior officer or interested party in the Corporation: No.  
 (6) Education and business experience during the past five years:  
 B.A. Law – Bar Ilan University  
 E.M.B.A. – Bar Ilan University  
  
 Since 1999 – Senior Assistant to the Chairman of the Board  
 (7) Date of start of tenure: 1.12.03
12. (1) Name: **Rafi Rahat** ID No.: 006801237  
 (2) Date of birth: 3.2.45  
 (3) Position in the Corporation: Head of Central Operating Division  
 (4) Position in a subsidiary of the Corporation or of an interested party therein: None  
 (5) Related to a senior officer or interested party in the Corporation: No.  
 (6) Education and business experience during the past five years:  
 B.Sc. – Industrial Engineering and Management, The Technion, Haifa  
 M.Sc. – Performance Research, The Technion, Haifa  
  
 From 1998 - 1999 – Manager – Petach Tikva district  
 From 1999 - 2000 – Manager – Shfela district  
 (7) Date of start of tenure: 17.8.00

13. (1) Name: **Alik Romm** ID No.: 054063938  
 (2) Date of birth: 8.5.56  
 (3) Position in the Corporation: VP Human Resources  
 (4) Position in a subsidiary of the Corporation or of an interested party therein: None  
 (5) Related to a senior officer or interested party in the Corporation: No.  
 (6) Education and business experience during the past five years:  
 B.A. Political Science  
 1999-2001 – CEO of ORS  
 2001-2003 – VP at Keter Plastics  
 1992-1999 – VP Human Resources at Israel Chemicals Ltd.  
 VP Human Resources at ICL's Bromine Group  
 (7) Date of start of tenure: 1.12.03
14. (1) Name: **Pnina Shenhav** ID No.: 535650230  
 (2) Date of birth: 4.1.56  
 (3) Position in the Corporation: VP Sales and Marketing  
 (4) Position in a subsidiary of the Corporation or of an interested party therein: Director at DBS Satellite Services (1998) Ltd.  
 (5) Related to a senior officer or interested party in the Corporation: No.  
 (6) Education and business experience during the past five years:  
 B.Sc. in Life Sciences (biology)  
 M.B.A.  
 1995–2000 – VP Marketing at Tevel.  
 (7) Date of start of tenure: 21.5.00
15. (1) Name: **Avraham Shlomowitz** ID No.: 017257411  
 (2) Date of birth: 19.11.47  
 (3) Position in the Corporation: Head of Operating Division for Tel Aviv and Sharon Area  
 (4) Position in a subsidiary of the Corporation or of an interested party therein: Director at BezeqCall Communications, Ltd.  
 (5) Related to a senior officer or interested party in the Corporation: No.  
 (6) Education and business experience during the past five years:  
 M.A. - Electricity and Electronic Engineering  
 March 1993-March 1998 – Manager of System Planning in the Tel Aviv- Sharon Area.  
 Since March 1998 – Deputy Head of Tel Aviv and the Sharon Operating Division  
 (7) Date of start of tenure: 1.5.00
16. (1) Name: **Yotam Yakir** ID No.: 058330911  
 (2) Date of birth: 12.10.63  
 (3) Position in the Corporation: Company spokesman  
 (4) Position in a subsidiary of the Corporation or of an interested party therein: None  
 (5) Related to a senior officer or interested party in the Corporation: No.  
 (6) Education and business experience during the past five years:  
 Academic - Political Science major  
 Previous position during last four years - Herzliya Interdisciplinary Center – VP Development, Headquarters Director.  
 Formerly Israel's representative to the Jewish Federation in Columbus, Ohio.  
 (7) Date of start of tenure: 30.1.02

## Regulation 27: The Corporation's Auditors

Somekh Chaikin (a member of KPMG International) Certified Public Accountants (Isr.) KPMG Millennium Tower, 17 Ha'arba'a Street Tel Aviv 64739 Tel: 03-684-8000
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## Regulation 29:

A. Recommendations of the managers to the General Meeting and those of their resolutions not requiring the approval of the general meeting, on the matters listed in sub-regulation (A):

1. **Distribution of a dividend (Resolution dated 2.1.03)** – To recommend to the General Meeting to distribute a cash dividend to the shareholders of the Company, in the amount of NIS 190,000,027, which represents 7.87840 agorot per share and 7.87840% of the issued and paid up capital of the Company. The percentage of the dividend to be actually paid will be determined on the basis of the issued and paid up share capital of the Company at the end of the business day on 5 February 2003 ("the Determining Date"). The dividend will be paid to the shareholders of the Company who were registered in the Shareholders Register of the Company at the end of the Determining Date. The Ex date will be 6 February, 2003 and the date of payment will be 20 February, 2003. Tax will be withheld from the above dividend as required by law.

(This resolution was adopted by the General Meeting on 27.1.03.)

2. **Settlement agreement in the matter of a real estate dispute (Resolution of 3.7.03)**  
To approve the Company's commitment in the settlement agreement and to convene a Special General Meeting of the shareholders of the Company, with an agenda to approve the transaction which is the subject of the settlement agreement.

(The settlement agreement was approved by the General Meeting on 6.8.03.)

3. **Approval for an increase in the registered capital of the Company by 250 million shares of NIS 1 par value each (Resolution of 14.8.03)** – To approve the increase of the Company's registered capital by 250 million shares of NIS 1 par value each and to authorize the Corporate Secretary to convene a General Meeting for the purpose of approval of the increase in registered capital.

(On 25.9.03 the General Meeting approved the increase in the registered capital of the Company by 250 million shares. Based on the approval given by the Government, the registered capital was increased by only 190 million shares.)

4. **Convening of a General Meeting of the Company for approval of the new articles of association (Resolution of 6.11.03)** – To approve the convening of a Special General Meeting of the shareholders of the Company, with an agenda to approve new articles of association for the Company and amendment of the memorandum of the Company.

(The matter was removed from the agenda of the General Meeting.)

5. **Approval of making a commitment for indemnification of Company officers and convening of a General Meeting for approval of the resolution (Resolution of 3.11.03)** – To approve that the Company will indemnify its directors and other officers in respect of a financial obligation imposed upon the officers and in respect of their reasonable litigation expenses, in anything relating, directly or indirectly, to the framework agreement of 13.1.2002, including the addenda to the framework agreement, which was signed between the Company and the State of Israel, including in connection with the allotment/s of shares to the State by virtue of the framework agreement, and all on the terms set out in the deed of indemnity attached as Annex A to the resolution. This undertaking is limited to NIS 890 million (the amount of capital raised for the Company under the framework agreement), linked to the CPI.

The Board of Directors confirms that –

- a. The above concerns foreseeable types of events (raising capital in accordance with the framework agreement).
- b. The amount of the indemnity is reasonable in the circumstances, since it reflects the amount of capital raised for the Company and in light of the financial condition of the Company.

The Board of Directors approves the convening of a Special General Meeting of the shareholders of the Company, with an agenda to approve grant of a deed of indemnity to officers of the Company in the matter of the framework agreement, including in connection with the allotment/s of shares to the State thereunder.

(The General Meeting approved grant of indemnity as aforesaid on 8.12.03.)

6. **Offering of Bezeq shares by the State – Raising capital for the Company (Resolution of 24- 25.7.03)** – To approve the amended framework agreement in addition to the accompanying letter received from the Director General of the Government Companies Authority, including an offering of approximately 3.5% of the Company's shares to the State against sale of shares as aforesaid by the State to a third party.

7. **Sale of 5.25% of the Company's shares by the State (Resolution of 13.11.03)**

1. To approve an allotment of 105,647,535 shares at a price of NIS 4.82144 per share. The allotment is in accordance with the framework agreement between the Company and the State of Israel.
2. To increase the maximum number of shares in the material private placement of the Company and the State of Israel by 25,388,073 additional shares, so that the maximum quantity of shares to the State in this transaction will increase from 168,000,000 shares to 193,388,073 shares (including 87,740,538 shares which were allotted to the State in the past).

B. Resolutions of the General Meeting adopted not in accordance with the recommendations of the directors, in matters referred to in sub-regulation A – None.

C. Resolutions of the Special General Meeting:

1. **Approval of the terms of employment of the Chairperson of the Board, Adv. Miriam (Miki) Mazar (General Meeting on 27.1.03)**

1. To approve the terms of employment of Adv. Miriam (Miki) Mazar as acting Chairperson of the Board of Directors of the Company in accordance with the terms of the personal employment contract (new version) customary at the Company, with certain changes as required in the circumstances, for the period from 1.1.2003 to 30.6.2003, at a monthly salary of a full-time acting chairperson in a government company, Level 10 (NIS 41,340 per month as at 1 January, 2003).

2. At the request of Mrs. Mazar, to approve her continued tenure, unpaid, in her capacity as Chairperson of the Dan Urban Association for Sewerage and the Environment and as a director at El Al Israel Airlines Ltd., to continue her public functions as a member of the Tel Aviv City Council and to complete the handling of the one case in her care in the Antitrust Court.

2. **Approval of the terms of retirement of the outgoing Chairman of the Board, Mr. Ido Dissentshik (General Meeting on 27.1.03)**

Upon the retirement of Mr. Ido Dissentshik as Chairman of the Board of Directors of the Company, to approve the following payments:

1. Additional retirement pay (beyond that paid under the terms of his employment contract) of 100% in respect of each year of his tenure (two years and three months). Additional amount: NIS 94,470.
2. One-time personal compensation of 1.2 salaries for 2002, as is customary for senior employees employed at the Company under a new-version personal contract (subject to and after approval of the payment to all such senior employees). Amount: NIS 49,288.
3. If payment of the CEO's Award for Company employees is approved in respect of 2001 and after such approval – payment of two salaries. Amount: NIS 82,148.

The aforesaid is at a salary of NIS 41,047 as at August 2002, due to be updated in accordance with the CPI upon the instructions of the Companies Authority.

3. **Distribution of a cash dividend of NIS 190,000,027 to the shareholders of the Company as recommended by the Board of Directors of the Company (General Meeting on 27.1.03)**

- 1.1 To approve the recommendation of the Board of Directors of the Company to distribute a cash dividend of NIS 190,000,027 to the shareholders of the Company, which represents a distribution of NIS 7.87840 agorot per share (7.87840% of the issued and paid up capital of the Company).
- 1.2 The percentage of the dividend which will actually be paid will be determined on the basis of the issued and paid up share capital of the Company at the end of the business day on 5 February 2003 ("the Determining Date").
- 1.3 The dividend will be paid to the shareholders of the Company who were registered in the Shareholders Register of the Company at the end of the Determining Date. The Ex date will be 6 February 2003 and the date of payment will be 20 February 2003. Tax will be withheld from the above dividend as required by law.

4. **Approval of the terms of employment of the Chairperson of the Board of Directors, Adv. Miriam (Miki) Mazar (General Meeting on 6.8.03)**

The General Meeting approves the continued employment of the Chairperson of the Board of Directors as follows:

1. Further to the employment agreement of the Chairperson of the Board as approved by the competent entities in the Company for the period from 1.1.03 to 30.6.03, to approve, on the same terms, the continued employment of Adv. Mrs. Miriam (Miki) Mazar as Acting Chairperson of the Board of Directors of the Company.
2. The continued employment is for the period from 1.7.03 until expiration of the term of the Chairperson as a director of the Company, under the personal employment agreement (new version) customary at the Company, and approved by the Government Companies Authority for an acting chairperson.
3. The salary to be paid to Mrs. Mazar as active Chairperson of the Board of Directors of the Company will be in the amount of the salary of a full-time acting Chairperson of the board of directors of a government company, level 10 (NIS 41,154 per month as at 1 July 2003).

4. At the request of Mrs. Mazar, to approve her continued tenure, without pay, in her public functions as a member of the Tel Aviv City Council and as a director of El Al Israel Airlines Ltd.
  
5. **Approval of the Company's commitment with the Government of Israel on behalf of the State of Israel and Israel Lands Administration relating to the settlement agreement in the matter of a real estate dispute between the Company and the State of Israel and Israel Lands Administration (General Meeting on 6.8.03)**  

After presentation of the main points of the settlement agreement between the Company and the Government of Israel on behalf of the State of Israel and Israel Lands Administration in the matter of the real estate dispute, the General Meeting approves the agreement of the Company to the settlement agreement.
  
6. **Increase of the registered capital of the Company by 250,000,000 shares of NIS 1 par value each (General Meeting on 25.9.03)**  

To increase the registered share capital of the Company by 250,000,000 ordinary shares of NIS 1 par value each. Pursuant to the Government Companies Law, the increase in capital is subject to the approval of the Government of Israel and to the terms it lays down (in accordance with the approval given by the Government, the registered capital was increased by only 190,000,000 shares).
  
7. **Approval of a commitment to indemnify officers of the Company in connection with the framework agreement signed between the State and the Company (General Meeting on 8.12.03)**  

To approve grant of deeds of indemnity to its directors and other officers ("the Officers"), whereby the Company will indemnify the Officers in respect of a financial liability imposed upon them and in respect of their reasonable litigation expenses, in any matter relating, directly or indirectly, to the framework agreement of 13.1.2002, including the addenda to the framework agreement, which was signed between the Company and the State of Israel, including in connection with the allotment/s of shares to the State by virtue of the framework agreement, and all on the terms set out in the deeds of indemnity. This undertaking is limited to NIS 890 million (the amount of the capital raised for the Company under the framework agreement). This sum is linked to the CPI which will be published after raising the capital for the Company in accordance with the framework agreement.
  
8. **Replacement of the articles of association of the Company with new articles, and change of the majority required for amendment of the articles of association of the Company (General Meeting on 8.12.02)**  

Discussion but no resolution.

#### **Regulation 29A (4):**

##### **Insurance of Officers**

The Company carries an officers insurance policy for its officers. The ceiling of the insurance is \$150 million per event and for the period (12 months), plus up to \$30 million for legal expenses in Israel. In addition, the Company will indemnify officers in an amount not exceeding \$50 million per officer in respect of a financial obligation imposed upon them in any matter relating to the Company's prospectus from 27 February 1998 and which is not covered under the insurance policy.

**Approval of a commitment to indemnify officers of the Company in connection with the framework agreement signed between the State and the Company**

Pursuant to the resolution of the General Meeting on 8.12.03, approval was given for grant of deeds of indemnity for its directors and other officers, whereby the Company will indemnify the Officers in respect of a financial liability imposed upon them and in respect of their reasonable litigation expenses, in any matter relating, directly or indirectly, to the framework agreement of 13.1.2002, including the addenda to the framework agreement, which was signed between the Company and the State of Israel, including in connection with the allotment/s of shares to the State by virtue of the framework agreement, and all on the terms set out in the deeds of indemnity. This undertaking is limited to NIS 890 million (the amount of the capital raised for the Company under the framework agreement).

It should be noted that in the past, the Company has indemnified Officers in the following matters: A deed of indemnity for the offering under a prospectus in 1998, a deed of indemnity in respect of a draft prospectus submitted to the Securities Authority in 1999, and a deed of indemnity in respect of the Y2K computer bug risks.

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Ron Eilon  
Chief Financial Officer

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Shimon Netzer  
Corporate Secretary