



September 26, 2017

## **Immediate Report**

### **Decision Concerning Management Fees**

The Company hereby issues an immediate report announcing that the Company's Compensation Committee and Board of Directors held discussions concerning the management agreement between the Company and its controlling shareholder, Eurocom Communications Ltd. ("Eurocom Communications") in view of the restrictions imposed on the activities of the Chairman of the Company's Board of Directors, Mr. Shaul Elovitch, and of other directors serving on the Boards of the Company and its subsidiaries on behalf of Eurocom Communications, due to the investigation being carried out by the Securities Authority (for full information regarding the management agreement, its terms and conditions, and payment components, see the immediate report dated May 26, 2016. For further information regarding the foregoing restrictions see the immediate report dated September 18, 2017 and additional reports to which the foregoing immediate report refers).

On September 25, 2017, the Company's Board of Directors adopted the recommendation of the Compensation Committee and decided that the amount to be paid by the Company to Eurocom Communications, based on the management agreement for services provided by the active Chairman of the Board of Directors to the Company and its subsidiaries and affiliates, for the period commencing June 20, 2017 (and for as long as no material change will be made to the restrictions currently imposed on Shaul Elovitch), will be 50% of the amount stipulated in the agreement for this period. This decision will remain in force for no longer than until the end of 2017. This decision is based on the fact that, on one hand, based on the information given to the Board of Directors, also during this period of restrictions Shaul Elovitch continues to invest much of his time in dealing with the Group's businesses, while on the other, the Board of Directors understands that due to these restrictions Shaul Elovitch does not, and is not able to, carry out all the duties required of the active Chairman of the Board of Directors, or as set out in the management agreement. The rate of 50% is based on the Board of Directors' assessment, and its best judgment and understanding, of the portion of the duties that will be carried out over the relevant period.

The Board of Directors also decided that in view of the difference between the amount paid as an advance payment at the beginning of 2017, as set out in the terms of the management agreement, for the service of directors in the Company and its subsidiaries and affiliates, and the amount calculated on the basis of actual participation so far (the amounts paid to date as advance payments are higher than the amounts calculated

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based on information regarding actual participation to date), at this stage, payment of the reduced amounts for the services of the Chairman as set out above, as well as for consultation services as per the management agreement (which are paid based on actual number of hours of consultation up to a maximum of 60 hours per month) will be deferred. A final calculation, offsetting the various amounts, will be made at the end of 2017 and accordingly, the differences will be paid to Eurocom Communications or refunded by Eurocom Communications, as the case may be.

*The above information constitutes a translation of the Immediate Report published by the Company. The Hebrew version was submitted by the Company to the relevant authorities pursuant to Israeli law, and represents the binding version and the only one having legal effect. This translation was prepared for convenience purposes only.*