

# Cellcom Israel Ltd.

(version of the Articles in effect as of September 10, 2006)

## ARTICLES

OF

CELLCOM ISRAEL LTD.

### PRELIMINARY

1. Deleted.

2. **Interpretation**

(a) In these Articles the following terms shall bear the meaning ascribed to them below:

The “Company” shall mean the abovenamed company.

The “Memorandum” shall mean the Memorandum of Association of the Company, as originally registered and as it may from time to time be amended.

The “Articles” shall mean the articles of association contained in these Articles, as originally registered and as they may from time to time be amended.

“DICC” shall mean DIC Communication and Technology Ltd., an Israeli company.”

“Affiliate” shall mean, with respect to any Person, and only to such Person, any individual or firm, corporation, partnership, association, trust or other entity which, whether directly or indirectly, Controls, is Controlled by, or is under common Control with, the subject Person.

“Control” shall mean the direct or indirect ownership of equity rights that assure, in a permanent fashion, a majority of the votes in the deliberation of a certain Person, whether or not enjoying a separate legal standing, and the power to elect, nominate or appoint its directors, or at least a majority of them, and the power to effectively use such equity rights to direct and orient its activities and functioning.

“Director” means a director of the Company.

“Book Value” means such amount as shall be determined by the independent auditors of the Company as being equal to all assets of the Company less all liabilities and reserves divided by the number of shares of the Company then outstanding, which determination shall be binding and conclusive and be made in accordance with Israeli generally accepted accounting practice, including however but not limited to the following provisions: (a) the computation of the book value shall be made on the basis of the audited balance sheet of the

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Company as at the close of the fiscal year of the Company immediately preceding the date of the transfer or other transaction in question contemplated hereunder; (b) no allowance of any kind shall be made for goodwill or any similar intangible asset of the Company; (c) all accounts payable shall be taken at their value as reflected in the said audited balance sheet, less discounts deductible therefrom, and all accounts receivable shall be taken at their value as reflected in the said audited balance sheet, less discount and a reasonable reserve for bad debts; (d) all machinery fixtures and equipment are to be computed at the depreciated value appearing on the books of the Company; (e) inventory of merchandise and supplies shall be computed at cost or market value, whichever is lower; and (f) all accrued and unpaid taxes, of every kind, shall be deducted as liabilities.

“CPI” shall mean the Consumer Price Index published in Israel.

“USCPI” shall mean the Consumer Price Index (U.S. City Average) published by the United States Department of Labor, Bureau of Labor Statistics.

“Legal Requirements” shall mean all applicable laws, statutes, rules, regulations, orders, ordinances and requirements of all foreign, national, departmental and municipal governments.

“Person” shall mean any individual or firm, corporation, partnership, association, trust, or other entity.

“Services” shall mean the installation, operation, maintenance and commercialization of cellular mobile radio-telephone service provided to the public pursuant to a License in the State of Israel or any part thereof including, if permitted, the GJS Territories.

“GJS” Territories” shall mean the Gaza Strip, Judea and Samaria and the Golan Heights.

“License” shall mean a license for exploitation of the Services as granted to the Company on June 27, 1994, as amended.

“Shares” shall mean, with respect to the Company, any shares of its registered capital.

“IDBD” shall mean IDB Development Corporation Ltd.

“IDB Group” shall mean IDBD and Affiliates of IDBD.

“PEC” shall mean PEC Israel Economic Corporation, a Maine, U.S.A., corporation.

“Holdco” shall mean Tele-Man Netherlands B.V., a Netherlands corporation, or any successive successor or assignee thereof or transferee of shares of the

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Company held by it which, in each case, is a member of the IDB Group (including, without limitation, DIC or DIC BV).

“Business Day” shall mean any day on which Banking Institutions (as defined under the Bank of Israel Law – 1954) are opened for business.

“Minority Shareholders” shall mean Messrs. Shlomo Piotrkowsky, Brian Greenspun, Daniel Steinmetz and Benjamin Steinmetz, and all their successors, heirs, estates and assigns, except for Holdco, the IDB Group, and their respective successors, assigns and designees permitted hereunder.

The "Law" shall mean the Companies Law, 5759-1999.

"DIC" shall mean Discount Investment Corporation Ltd., an Israeli corporation.

"DIC BV" shall mean Discount Investment Communications B.V., a Netherlands corporation.

- (b) Any reference to a Defaulting Shareholder or to a Non-defaulting Shareholder hereunder shall include any Affiliate thereof respectively.
- (c) Terms and expressions used in the Articles and not defined herein, shall bear the same meaning as in the Law in force on the date when the Articles first become effective.
- (d) Sections 2, 4, 5, 6, 7, 8 and 10 of the Interpretation Law, 5741-1981, shall apply, mutatis mutandis, to the interpretation of the Articles.
- (e) The captions in the Articles are for the convenience only and shall not be deemed a part hereof or affect the interpretation of any provision hereof.

### **3. Private Company**

The Company is a private company, and accordingly:

- (a) The right to transfer shares of the Company shall be restricted as hereinafter provided;
- (b) Deleted.
- (c) The number of members of the Company (exclusive of persons who are in the employment of the Company and of persons who having been formerly in the employment of the Company were, while in such employment, and have continued after termination of such employment to be, members of the Company), shall not exceed fifty (50). Two or more persons who jointly hold one or more shares in the Company shall, for the purposes of this Article, be deemed a single member.

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### **SHARE CAPITAL**

#### **4. Share Capital.**

The authorized share capital of the Company is one million New Israeli Shekels (NIS 1,000,000) divided into ten million (10,000,000) ordinary shares of one tenth New Israeli Shekels (NIS 0.1) par value each.

#### **5. Alteration of Share Capital**

The Company may, from time to time, by a shareholders' resolution:

- (a) Increase its share capital in an amount it thinks expedient by the creation of new shares. The power to increase the share capital may be exercised by the Company whether or not all of the shares then authorized have been issued and whether or not all of the shares theretofore issued have been called up for payment. Such shareholders' resolution shall set forth the amount of the increase, the number of the new shares created thereby, their nominal value and class, and may also provide for the rights, preferences or deferred rights that shall be attached to the newly created shares and the restrictions to which such shares shall be subject;
- (b) Consolidate all or any of its issued or unissued share capital and divide same into shares of nominal value larger than the one of its existing shares;
- (c) Subdivide all or any of its issued or unissued share capital, into shares of nominal value smaller than the one stipulated in the Memorandum; provided, however, that the proportion between the amount paid and the amount unpaid on each share which is not fully paid-up shall be retained in the subdivision;
- (d) Convert all or any of its fully paid-up shares into stock. The provisions of the Articles applicable to fully paid-up shares shall further apply to stock, and the words "share" and "shareholder" herein contained shall further include "stock" and "stockholder", respectively;
- (e) Reconvert all or any of its stock into fully paid-up shares of any denomination or class;
- (f) Cancel any shares which, as at the date of the adoption of the shareholders' resolution, have not been issued or agreed to be issued, and thereby reduce the amount of its share capital by the aggregate nominal value of the shares so cancelled;
- (g) Subject to any approval or consent required by law, and without derogating from the Board of Directors' power to issue preference redeemable shares and redeem same under the Articles, reduce its share capital in any manner whatsoever.

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### **SHARES**

#### **6. Rights Attached to Shares**

- (a) Subject to any other contrary provisions of the Memorandum or the Articles, the same rights, obligations and restrictions shall be attached to all the shares of the Company regardless of their denomination or class.
- (b) If at any time the share capital is divided into different classes of shares, the rights attached to any class may be modified or abrogated by a shareholders' resolution, subject to the consent in writing of the holders of more than fifty percent (50%) of the issued shares of such class or the adoption of a resolution approving same modification or abrogation at a separate General Meeting of the holders of the shares of such class.

The provisions of the Articles relating to General Meetings of the Company shall apply, mutatis mutandis, to any separate General Meeting of the holders of the shares of a specific class, provided, however, that the requisite quorum at any such separate General Meeting shall be one or more members present in person or by proxy and holding not less than fifty percent (50%) of the issued shares of such class.

- (c) The creation of additional shares of a specific class, or the issuance of additional shares of a specific class, shall not be deemed, for purposes of Article 6(b), a modification or abrogation of rights attached to shares of such class or of any other class.

#### **7. Issuance of Shares**

- (a) Issuance of shares of the Company shall be under the control of the Board of Directors, who shall have the exclusive authority to issue the Company's shares, in whole or in part, otherwise dispose of them or grant options to acquire shares, to such persons and on such terms and conditions as the Board of Directors may think fit, all subject to the shareholders' preemption rights set forth below.
- (b) Whenever the Board of Directors desires to issue any shares of the Company or to grant any option to acquire shares of the Company (the "New Shares") it shall first offer the New Shares for sale, on such terms and in such manner as hereinafter provided (the "Subscription Offer"), to each of the shareholders of the Company. Any purported disposition of any Shares or rights to acquire Shares by the Company in violation of the provisions of this Article 7 shall, where compliance with the provisions of this Article 7 is not waived in writing by all shareholders be null and void, and the Company shall not recognize or give any effect thereto.
- (c) The Subscription Offer shall be made in writing and shall be sent at the same time to each person or entity then registered in the Register of Members as a shareholder of the Company (the "Offeree/s").

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- (d) The Subscription Offer shall specify the number of the New Shares, their class and the consideration requested per each New Share and the other terms, if any, applicable thereto.
- (e) Each Offeree shall have a period of thirty two (32) days from the date the Subscription Offer is sent thereto to notify the Board of Directors of its desire to accept the Subscription Offer and to purchase the New Shares, wholly or partly, in accordance therewith (the "Subscription Notice").

An Offeree who shall not have given a Subscription Notice within the said 32-day period shall be conclusively deemed to have rejected the Subscription Offer. A qualified acceptance of the Subscription Offer shall not be deemed an acceptance of the Subscription Offer.

- (f) The closing of the transaction for the issue and sale of the New Shares by the Board of Directors to the subscribing Offeree, if any, (the "Subscription Closing"), shall take place and be consummated on the fifth (5<sup>th</sup>) day following the date upon which the said 32-day period expires at a time and place determined by the Board of Directors as specified in the Subscription Offer. At the Subscription Closing the Board of Directors shall issue and sell the New Shares, wholly or partly, to the Offerees in accordance with the Subscription Notices against payment of the consideration specified in the Subscription Offer.
- (g) In the event of over subscription, all Subscription Notices given shall rank "pari passu", and the New Shares shall be sold and transferred to the Offerees which gave Subscription Notices in accordance with Article 7(f) above, mutatis mutandis, on a pro rata basis calculated by dividing (a) the number of shares of the Company held by each such Offeree on the date his Subscription Notice was given, by (b) the total number of shares of the Company held by all of such Offerees.
- (h) In the event that under the Subscription Notices given not all the New Shares are subscribed for, the Board of Directors shall issue and sell the New Shares to the Offerees in accordance with the Subscription Notices against payment of the consideration specified in the Subscription Offer at the Subscription Closing. In such case, the Board of Directors shall also offer the leftover New Shares at the price set forth in the Subscription Offer to the Offerees which gave Subscription Notices. Such offering shall take place at the Subscription Closing and the leftover New Shares shall be sold and transferred to the accepting Offerees in accordance with the first sentence of Article 7(f) above, mutatis mutandis, on a pro rata basis calculated by dividing (a) the number of Shares of the Company held by each such Offeree following the first issue at the Subscription Closing, by (b) the total number of shares of the Company held by all of such Offerees.
- (i) In the event that following the Subscription Closing there remain leftover New Shares, the Board of Directors shall be free to issue and sell such leftover New

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Shares to any person or entity for a price not lower than the one specified in the Subscription Offer, provided that the issue and sale by consummated within ninety (90) days thereafter.

- (j) Deleted.
- (k) Deleted.
- (l) Notwithstanding anything to the contrary herein, a Minority Shareholder (i) shall only be entitled to serve a Subscription Notice with respect to a number of the New Shares which bears the same proportion to the total amount of New Shares offered as the number of its shares in the Company bears to the total number of the Company's entire issued shares prior to the issue in question (the "Permitted Number"), (ii) shall not be issued in any event a greater number of shares, and (iii) for the sake of clarity, shall not be permitted to take any leftover shares under provision (h) above. A Subscription Notice served by a Minority Shareholder with respect to a number of New Shares greater than the Permitted Number shall be deemed to have been served with respect to a Permitted Number of the New Shares and a Subscription Notice served by a Minority Shareholder with respect to a number of New Shares lower than the Permitted Number shall be deemed a rejection of the Subscription Offer.
- (m) The following terms shall apply with respect to subscription by Minority Shareholders notwithstanding contrary provisions relating to shareholders in general herein: (i) within 7 days from the date the Subscription Offer is sent to a Minority Shareholder, he shall advise Holdco and the Company in writing whether he intends to serve a Subscription Notice; (ii) Holdco shall become entitled to serve a Subscription Notice in place of a Minority Shareholder who fails to advise Holdco and the Company within the above 7-day period as aforesaid or who advises that he will not be serving a Subscription Notice or who advises that he will be serving a Subscription Notice but fails to do so in fact, in which latter case the 32-day period stated in Sub-Article (e) above shall be extended by 7 more days for all shareholders and, the terms of this Article shall apply mutatis mutandis.
- (n) Deleted.

### **8. Share Certificates**

- (a) Each member shall be entitled to receive from the Company one share certificate in respect of all of the shares of any class registered in his name on the Register of Members or, if approved by the Board of Directors, several share certificates, each for one or more of such shares.
- (b) Each share certificate issued by the Company shall be numerated, denote the class and serial number s of the shares represented thereby and the name of the owner thereof as registered on the Register of Members, and may also specify

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the amount paid-up thereon. A share certificate shall be signed by the Company.

- (c) A share certificate denoting two or more persons as joint owners of the shares represented thereby shall be delivered to the person first named on the Register of Members in respect of such joint ownership.
- (d) A share certificate defaced or defective, may be replaced upon being delivered to the Company and being cancelled. A share certificate lost or destroyed may be replaced upon furnishing of evidence to the satisfaction of the Board of Directors proving such loss or destruction and subject to the submission to the Company of an indemnity letter and/or securities as the Board of Directors may think fit.

A member requesting the replacement of a share certificate shall bear all expenses incurred by the Company in connection with the provisions of this Article.

- (e) Members whose name is removed from the Register at the order of the Board of Directors in accordance with the Articles shall forthwith return any share certificates in their possession.

### **9. Registered Owner**

The Company shall be entitled to treat the Person registered on the Register of Members as the holder of any share, as the absolute owner thereof, and accordingly, shall not be bound to acknowledge any trust of other right, whether at law or in equity, of any other person to or in respect of such share.

### **10. Calls on Shares**

- (a) The Board of Directors may, from time to time, make calls upon members to perform payment of any amount of the consideration of their shares not yet paid, provided same amount is not, by the terms of issuance of same shares, payable at a definite date and provided further that the Board of Directors shall make such calls on identical terms on all such members in proportion to their holdings of such unpaid shares in the Company. Each member shall pay to the Company the amount of every call so made upon him at the time(s) and place(s) designated in such call. Unless otherwise stipulated in the resolution of the Board of Directors, each payment with respect to a call shall be deemed to constitute a pro-rata payment on account of all of the shares in respect of which such call was made.

A call may contain a demand for payment in installments.

- (b) A call shall be made in writing and shall be delivered to the member(s) in question not less than fourteen (14) days prior to the date of payment stipulated therein. Prior to the due date stipulated in the call the Board of Directors may, by delivering a written notice to the member(s), revoke such

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call, in whole or in part, postpone the designated date(s) of payment or change the designated place of payment. All such notices, if sent to a Minority Shareholder, shall also be sent to Holdco

- (c) If, according to the terms of issuance of any share, any amount is due at a definite date, such amount shall be paid on same date, and the holder of same share shall be deemed, for all intents and purposes, to have duly received a call in respect of such amount.
- (d) The joint holders of a share shall be bound jointly and severally to pay all calls in respect thereof. A call duly made upon one of the joint holders shall be deemed to have been duly made upon all of the joint holders.
- (e) Any amount not paid due shall bear interest from its due date until its actual payment at a rate equal to the then prevailing rate of interest for unauthorized overdrafts as charged by the First International Bank of Israel B.M. The provisions of this Article 10(e) shall in no way deprive the Company of, or derogate from any other rights and remedies the Company may have against such member pursuant to the Articles or any pertinent law.
- (f) The Board of Directors may agree to accept prepayment by any member of any amount due with respect to his shares, and may direct the payment of interest for such prepayment at a rate as may be agreed upon between the Company and the member so prepaying.

### **11. Forfeiture and Surrender**

- (a) If any member fails to pay when due any amount payable pursuant to a call, or interest thereon as provided for herein, the Company may, by a resolution of the Board of Directors, at any time thereafter, so long as said amount or interest remains unpaid, forfeit all or any of the shares in respect of which said call had been made. All expenses incurred by the Company with respect to the collection of any such amount of interest, including, inter-alia, attorneys' fees and costs of legal proceedings, shall be added to, and shall constitute a part of the amount payable to the Company in respect of such call for all purposes (including the accrual of interest thereon).
- (b) Upon the adoption of a resolution of forfeiture, the Board of Directors shall cause the delivery of a notice thereof to the member in question, and in the event of notice to a Minority Shareholder, also a notice to Holdco. Same notice shall specify that, in the event of failure to pay the entire amount due within the period stipulated in the notice (which period shall be not less than twenty one (21) days, same failure shall cause, ipso facto, the forfeiture of the shares. Prior to the expiration of such period, the Board of Directors may extend the period specified in the notice of forfeiture or nullify the resolution of forfeiture, but such nullification shall not estop nor derogate from the power of the Board of Directors to adopt a further resolution of forfeiture in respect of the non-payment of said amount.

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- (c) Whenever shares are forfeited as herein provided, all dividends theretofore declared in respect thereof and not actually paid shall be deemed to have been forfeited together with the shares.
- (d) The Company, by a resolution of the Board of Directors, may accept the voluntary surrender by any member of all or any part of his shares.
- (e) Any share forfeited or surrendered as provided herein shall thereupon constitute the property of the company, and may be reissued or otherwise disposed of as the Board of Directors may think fit.
- (f) Subject to the provisions of Article 11(b) above, any member whose shares have been forfeited or surrendered shall cease to be a member in respect of the forfeited or surrendered shares, but shall, notwithstanding, be obliged to pay to the Company all amounts at the time of forfeiture or surrender due to the Company with respect thereof including interest and expenses as aforesaid until actual repayment, whether the maturity date of same amounts is on or prior to the date of forfeiture or surrender or at any time thereafter, and the Board of Directors, in its discretion, may enforce payment of such amounts or any part thereof. In the event of such forfeiture or surrender, the Company, by a resolution of the Board of Directors, may accelerate the maturity date(s) of any or all amounts then owed to the Company by same member and not yet due, however arising, whereupon all of such amounts shall forthwith become due and payable.

The Board of Directors may, at any time before any share so forfeited or surrendered shall have been reissued or otherwise disposed of to a third party, nullify the forfeiture or the acceptance of the surrender on such conditions as it thinks fit, but such nullification shall not estop nor derogate from the power of the Board of Directors to re-exercise its powers of forfeiture pursuant to this Article 11.

- (g) Whenever the shares of a Minority Shareholder are forfeited in accordance with the provisions of this Article, Holdco shall be entitled to have such shares transferred thereto by giving the Company written notice thereof and paying it all amounts due by said Minority Shareholder on account of which the shares were forfeited, all within the 21-day period from the time the forfeiture took place. Upon transfer to Holdco all dividends forfeited as aforesaid shall be paid to such transferee.

## 12. Lien

- (a) The Company shall have, at all times, a first and paramount lien upon all the shares registered in the name of each member on the Register of Members, upon all the dividends declared in respect of such shares and upon the proceeds of the sale thereof, as security for his Obligations. For the purposes of this Article 12, the term "Obligations" shall mean any and all present and future indebtedness owed to the Company by a member with respect to any portion of the consideration owing and not yet fully paid to the Company for

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his shares, however arising, whether such indebtedness is absolute or contingent, joint or several, matured or unmatured, liquidated or non-liquidated.

- (b) Should a member fail to fulfill any or all of his Obligations, the Company may enforce the lien, after same member was provided with a period of twenty-one (21) days so as to fulfill the Obligations so breached. If a notice is sent pursuant hereto to a Minority Shareholder, same shall also be sent to Holdco.
- (c) Holdco shall be entitled to fulfill the Obligations of a Minority Shareholder against whom the lien is enforced whereupon the shares of the Minority Shareholder which would otherwise have been subjected to the Company's lien shall be transferred to Holdco.
- (d) A member shall be obliged to reimburse the Company for all expenses thereby incurred with respect to the enforcement of a lien upon same member's shares, and such obligation shall be secured by the shares which are subject to same lien.

### **13. Sale of Shares after Forfeiture or Surrender or in Enforcement of Lien**

Upon any sale of shares after forfeiture or surrender or in the course of enforcement of a lien, the Company may appoint any person to execute an adequate instrument of transfer or any other instrument required to effect the sale, and shall be entitled to register the purchaser on the Register of Members as the holder of the shares so purchased. The purchaser shall not be obliged to check the regularity of the proceedings of forfeiture, surrender or enforcement of a lien or the use that was made with consideration thereby paid with respect to the shares. As of the entry of the purchaser's name in the Register of Members in respect of such shares, the validity of the sale shall not be rebuttable, and the sole remedy of any person aggrieved by the sale shall be in damages, and against the Company solely.

### **14. Preference Redeemable Shares**

Subject to any applicable law, the Company may issue preference redeemable shares and redeem the same upon the conditions and terms determined by the Board of Directors.

## **TRANSFER OF SHARES**

### **15. Effectiveness of Transfer of Shares**

A transfer of title to shares of the Company, whether voluntarily or by operation of law, shall not confer upon the transferee any rights whatsoever towards the Company unless and until such time as the transfer has been registered in the Register of Members.

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### **16. Procedure on Voluntary Transfer of Shares**

A member desiring to transfer to another person title to his shares, or any part thereof, shall deliver to the Company a notice to that effect accompanied by an instrument of transfer, in a form to be prescribed by the Board of Directors, duly executed by such member and the transferee, and subject to the prior fulfillment of the provisions of Article 17 below, the Board of Directors shall instruct the registration of same in the Register of Members.

### **17. Limitation on Voluntary Transfer of Shares**

- (a) Any purported transaction in the shares of the Company in violation of the provisions of this Article 17 shall be null and void, and the Company shall not recognize or give any effect thereto.
- (b) The sale, assignment or transfer to third parties, or to any shareholder in the Company other than Holdco of all or part of the Company's shares held by a Minority Shareholder without the prior written approval of Holdco, shall be null and void, and the Company shall not recognize or give any effect thereto.
- (b1) The sale, assignment or transfer to third parties, or to any shareholder in the Company, of all or part of the Company's shares held by a Minority Shareholder may not be effected unless the following conditions are met: (i) there is a formal offer from a proposed purchaser (the "Proposed Purchaser") for the respective acquisition with payment to be made in money; and (ii) the acquisition is subject to the agreement of the Proposed Purchaser to be bound by the terms of the agreement between the respective Minority Shareholder and Holdco.

Any Minority Shareholder (the "Minority Offeror") intending for any reason to sell, transfer or assign any number of its shares in the Company (the "Minority Offeror's Shares"), shall notify Holdco of same in writing stating the price per share and payment terms offered (the "Minority Notice").

The Minority Notice shall be conclusively deemed an irrevocable offer made by the Minority Offeror to sell to Holdco the Minority Offeror's Shares under the terms specified in the Notice and in the manner hereinbelow provided (the "Minority Offer").

Holdco shall have a period of thirty (30) Business Days from the date the Minority Notice is delivered thereto to notify the Minority Offeror of its desire to accept the Minority Offer ("Holdco Acceptance Notice"). If Holdco shall not have given the Holdco Acceptance Notice within the said 30-day period it shall be conclusively deemed to have rejected the Minority Offer. Conditional, partial or qualified acceptance of the offer shall be deemed a rejection of the Minority Offer.

The closing of the transaction for the sale of the Minority Offeror's Shares in accordance with the Holdco Acceptance Notice (the "Closing"), shall take

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place and be consummated on the fifteenth (15<sup>th</sup>) Business Day following the date upon which the said 30-day period expires. At the Closing, the Minority Offeror's Shares shall be sold and transferred against payment of the consideration therefor, in accordance with the terms specified in the Minority Notice.

In the event the Minority Offeror shall fail to transfer the Minority Offeror's Shares as aforesaid in accordance with the Holdco Acceptance Notice, Holdco shall be entitled to deposit the entire consideration specified in the Minority Notice with the Company, and thereupon the Company may appoint any person to execute adequate instruments of transfer and the name Holdco shall be entered into the Register of Members as the holder of the Minority Offeror's Shares so purchased and the name of the Minority Offeror shall be removed therefrom with respect to the Minority Offeror Shares. As of the entry of Holdco's names in the Register of Members in respect of such shares, the validity of the sale shall not be rebuttable, and the sole right of the Minority Offeror would be to obtain the entire consideration for the Minority Offeror's Shares deposited with the Company.

If a Minority Offeror intends to transfer all or part of its equity interest in the Company as aforesaid and Holdco which has expressed its interest in exercising its above stated right of first refusal is impeded by Legal Requirements which it must comply with from acquiring all or part of such shares, then Holdco may designate a Person that will qualify in its stead to acquire the shares which, it would have been otherwise entitled to purchase provided such Person is approved by the Board of Directors.

In the event that by the end of the 30-day period specified above Holdco shall not have delivered the Holdco Acceptance Notice with respect to the purchase of all the Minority Offeror's Shares, the Minority Offeror, if still interested in selling, shall nevertheless be obligated to first offer such Shares to all shareholders of the Company (including Holdco) as provided below and SubArticle 17(b) shall not apply to such specific offer.

- (c) Except as provided under Section (b1) above with respect to the offer of a Minority Shareholder to Holdco, the sale, assignment or transfer to third parties, or to any shareholder in the Company, of all or part of the Company's shares held by a shareholder may not be effected unless the following conditions are met: (i) there is a formal offer from a Proposed Purchaser for the respective acquisition with payment to be made in money; and (ii) in the event of a second round offering by a Minority Shareholder to the other shareholders of the Company, the Proposed Purchaser agrees to be bound by the terms of the agreement between the respective Minority Shareholder and Holdco.

Any shareholder (the "Offeror") intending for any reason to sell, transfer or assign any number of its shares in the Company (the "Offeror's Shares") shall notify each of the other shareholders of the Company of same stating the price

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per share and payment terms offered by the Proposed Purchaser (the "Notice").

Transfer of shares between members of the IDB Group shall not be subject to the exercise of a right of first refusal as stipulated hereinbelow, provided, that at the time of the transfer in question the transferring shareholder shall hold itself, or, together with members of the IDB Group at least 15% of the entire issued share capital of the Company ("Group Transfers"). Transfer of shares between Minority Shareholders and Holdco shall not be subject to the exercise of a right of first refusal as stipulated hereinbelow and shall be deemed a Group Transfer. Group Transfers shall not be subject to provision (1) below.

The right of first refusal provided for in this Article 17(c) may only be exercised by a shareholder which then holds by itself or, in the case of a shareholder which is a member of the IDB Group, by such shareholder together with any other shareholder which is a member of the IDB Group, at least 20% of the entire issued share capital of the Company.

- (d) The Notice shall be made in writing and shall be sent to each Person then registered in the Register of Members as a shareholder of the Company (the "Offeree/s"), and a duplicate thereof shall be sent to the Company.
- (e) The Notice shall be conclusively deemed an irrevocable offer made by the Offeror to sell to the Offeree/s the Offeror's Shares under the terms specified in the Notice and in the manner hereinbelow provided (the "Offer").
- (f) Each Offeree shall have a period of thirty (30) Business Days from the date the Notice is delivered thereto to notify the Offeror of its desire to accept the offer pursuant to Article 17(e) above (the "Acceptance Notice").

An Offeree who shall not have given an Acceptance Notice within the said 30-day period shall be conclusively deemed to have rejected the Offer. Conditional, partial or qualified acceptance of the offer shall be deemed a rejection of the Offer.

- (g) The closing of the transaction for the sale of the shares in accordance with the Acceptance Notice (the "Closing"), shall take place and be consummated on the fifteenth (15<sup>th</sup>) Business Day following the date upon which the said 30-day period expires. At the Closing, the shares shall be sold and transferred against payment of the consideration therefor, in accordance with the terms specified in the Notice.

In the event the Offeror shall fail to transfer the Offeror's Shares as aforesaid in accordance with the Acceptance Notice, the Offeree shall be entitled to deposit the entire consideration specified in the Notice with the Company, and thereupon the Company may appoint any person to execute adequate instruments of transfer and the names of the Offeree shall be entered into the Register of Members as the holder of the Offeror's Shares so purchased and the name of the Offeror shall be removed therefrom with respect to the Offeror

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Shares. As of the entry of the Offeree's names in the Register of Members in respect of such shares, the validity of the sale shall not be rebuttable, and the sole right of the Offeror would be to obtain the entire consideration for the Offeror's Shares deposited with the Company.

- (h) In the event more than one Offeree shall have given an Acceptance Notice for the purchase of the Offeror's Shares, all Acceptance Notices shall rank "pari passu", and the Offeror's Shares shall be sold and transferred to such Offerees in accordance with Article 17(g) above, mutatis mutandis, on a pro rata basis calculated by dividing (a) the number of shares of the Company held by each such Offeree on the date its Acceptance Notice was given, by (b) the total number of shares of the Company held by all of such Offerees, unless otherwise agreed by all such Offerees.
- (i) In the event that by the end of the 30-day period specified in Article 17(f) above the Offeror shall not have received Acceptance Notice with respect to the purchase of all the Offeror's Shares, or in the event that the Offeror shall have received Acceptance Notices with respect to the purchase of all of the Offeror's Shares but the closing of the sale thereof, in accordance with such Acceptance Notices, shall not have occurred by the fifteenth (15<sup>th</sup>) Business Day following such 30-day period the Offeror shall be free to sell the Offeror's Shares in the Company in whole but not in part under the terms specified in the Notice, to the Proposed Purchaser, provided that the sale be consummated within two (2) months thereafter.
- (j) Deleted.
- (k) Without derogating from the aforesaid:
  - (1) (i) A shareholder in the Company shall not transfer shares in the Company to any Person unless following such transfer the Company shall continue to meet the "minimum Israeli holding requirement" under the License.
  - (ii) Shareholders which are members of the IDB Group, through their holdings of shares in the Company shall be responsible for the Company's meeting the said "minimum Israeli holding requirement" and assure that such requirement is met at any time.
  - (iii) If due to a transfer of shares in a shareholder of the Company which is a member of the IDB Group, the Company ceases at any time to qualify under the said "minimum Israeli holding requirement", such shareholder shall be given a period of 45 days, or any longer period approved in writing by the Ministry of Communications during such 45 days from the occurrence of such event to cure same by way of a permitted transfer of all or part of its Shares to an Israeli Person reasonably acceptable to the Board of Directors ("Approved Transfer") or by obtaining

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the Ministry of Communications' formal written approval that the "minimum Israeli holding requirement" is met notwithstanding the aforesaid transfer. Such Approved Transfer shall not be subject to the right of first refusal hereunder.

- (2) No shareholder may effect any transfer of shares in the Company's capital or any other corporate operation or transaction (such as merger or amalgamation) that, affecting the direct or indirect ownership of the Company's capital, may result in cancellation or revocation of any License granted to the Company.
- (3) Any transfer of shares of the Company without the prior consent of the Board of Directors of the Company shall be null and void, and the Company shall not recognize or give any effect thereto provided however, that the consent of the Board of Directors to transfer of shares shall not be unreasonably withheld and further provided that the prior consent of the Board of Directors of the Company shall not be a condition to the validity of a transfer of shares resulting from the realization of a pledge upon shares of the Company held by a shareholder which is a member of the IDB Group.

Without any limitation to the powers of the Board of Directors, the Board of Director's consent shall be deemed to be reasonably withheld with respect to the following transfers:

- (i) A transfer to a Person which is in direct competition with the Company in Israel.
  - (ii) A transfer to a Person which competes or may compete with the IDB Group or any member thereof provided, however, that if such transferee is an Israeli Person, the actual or potential competition as aforesaid to be considered shall be limited to the area of cellular mobile radio-telephone services.
  - (iii) A transfer to a Person which is or is controlled by a resident or citizen of a country with which the State of Israel has no diplomatic relations or which is an adversary thereof.
- (4) A shareholder which fails to comply with Articles k(1)(ii) and/or k(2) (a "Defaulting Shareholder") shall be deemed to have offered all its Shares to the other non-defaulting shareholders pro rata to their interests in the Company, pursuant to this Article or, in the case of a Defaulting Shareholder who is a Minority Shareholder, to Holdco, at the Shares' Book Value.
  - (5) A shareholder (i) which is unable to pay its debts when due; and/or (ii) to which a liquidator has been appointed; and/or (iii) to which a receiver has been appointed over all or substantially of its assets and such appointment is not terminated within 120 days from the date the

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appointment is made; and/or (iv) to which a temporary liquidator has been appointed and such appointment is not terminated within 120 days from the date the appointment is made; and/or (v) against which a final execution order is made with respect to all or substantially all of its assets (a "Defaulting Shareholder"), shall be deemed to have offered all its Shares to the other non-defaulting shareholders, except Minority Shareholders, pro rata to their interests in the Company, or, where such Defaulting Shareholder is a Minority Shareholder, to Holdco, as the case may be (the "Non-defaulting Transferee"), pursuant to this Article, at the Shares' Book Value. A shareholder shall not be subject to the foregoing provisions of this paragraph (5) if such shareholder placed a fixed charge over its shares of the Company in favor of any banking institution.

- (6) If under applicable Legal Requirements the Defaulting Shareholder cannot transfer its shares to the Non-defaulting Transferee, the Non-defaulting Transferee may designate another Person to which such transfer may take place and the Defaulting Shareholder shall be deemed to have offered all its shares in the Company to such Person as aforesaid. For the purposes hereof, Non-defaulting Transferee shall exclude any Affiliate of the Defaulting Shareholder then holding shares in the Company.
- (l) The provisions set forth above in Article 17, other than sub-articles (k)(2), (k)(4) and (k)(5), shall not apply to any transfer by the following Shareholders of any of the shares of the Company purchased by each of the same Shareholders under the Share Purchase Agreement between Discount Investment Corporation Ltd. and each of the same Shareholders dated as provided below beside the name of each Shareholder, or by any entity who purchased such shares of the Company from the same Shareholder:
  - (1) Goldman Sachs International - under the Agreement dated February 2, 2006.
  - (2) Migdal Insurance Company Ltd. and/or The Magen Insurance Company Ltd. and/or New Makefet Pension and Benefit Funds Management Ltd. - under the Agreement dated March 30, 2006.
  - (3) Leumi & Co. Investment House Ltd. – under the Agreement dated May 11, 2006.
  - (4) Stocofin (Israel) Ltd. - under the Agreement dated June 20, 2006.

### **18. Procedure on Transfer of Shares by Operation of Law**

Any person becoming entitled to shares of the Company by operation of law who desires to be registered as a member in respect thereof in the Register of Members, shall furnish the Company with evidence, to the satisfaction of the Board of Directors, of his title to the shares.

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### **GENERAL MEETINGS**

#### **18A. Minority Shareholders**

- (a) For as long as Holdco is a shareholder of the Company, Holdco shall be deemed to hold whatever voting power is attached to any and all Company shares held by the Minority Shareholders for any purpose whatsoever and accordingly, Holdco shall vote all the Company shares held by the Minority Shareholders at all general meetings of the Company and the Minority Shareholders shall not be entitled to receive notice with respect to such meetings and/or attend same.
- (b) A Minority Shareholder which claims or asserts any rights contrary to Article 18A (a) above shall be deemed to have offered all its Shares to Holdco at the Shares' Book Value in accordance with Article 17 hereof.

#### **19. Annual General Meeting**

An Annual General Meeting shall be held once in every calendar year at such time (within a period of not more than fifteen (15) months after the last preceding Annual General Meeting) and at such place as may be determined by the Board of Directors.

#### **20. Extraordinary General Meeting**

- (a) All General Meetings other than Annual General Meetings shall be called "Extraordinary General Meetings".
- (b) The Board of Directors may, whenever it thinks fit, convene an extraordinary General Meeting, and shall be obliged to do so upon receipt of a requisition in writing in accordance with Section 63(a)(1) or (2) of the Law.

#### **21. Notice of General Meetings**

- (a) Subject to mandatory provisions requiring a longer notice under the law, not less than fourteen (14) days prior to any General meeting a written notice thereof shall be delivered to all those members entitled to attend thereat. Such notice shall specify the place, the day and the hour of the General Meeting and the general nature of the matters to be discussed thereat. If the General Meeting is to consider the adoption of a resolution, the notice shall set out the proposed terms of such resolution.
- (b) A member entitled to receive notices of General Meeting may waive such right, or the right to receive fourteen (14) days' prior written notice, generally or in respect of a specific General Meetings, and shall be deemed to have waived such right with respect to any General Meeting at which he was present, in person or by proxy.

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### **22. Quorum**

- (a) Two or more members present in person or by proxy and holding Shares conferring in the aggregate more than fifty percent (50%) of the total voting power attached to the shares of the Company, shall constitute a quorum at General Meetings. No business shall be considered or determined at a General Meeting, unless the requisite quorum is present when the General Meeting proceeds to consider same business.
- (b) If within half an hour from the time appointed for the General Meeting a quorum is not present, the General Meeting shall stand adjourned to the same day in the next week, at the same time and place. The requisite quorum at an adjourned General Meeting shall be one or more members, present in person or by proxy, holding more than 50% of the total issued share capital of the Company. At an adjourned General Meeting the only businesses to be considered shall be those matters which might have been lawfully considered at the General Meeting originally called if a requisite quorum had been present, and the only resolutions to be adopted are such types of resolutions which could have been adopted at the General Meeting originally called.

### **23. Chairman**

The Chairman, if any, of the Board of Directors, or any other person appointed by the Board of Directors, shall preside as Chairman at General Meetings of the Company. If said Chairman is not present at a General Meeting or is unwilling to take the chair the General meeting may elect another Chairman to preside over same meeting. The Chairman of any General Meeting shall have no additional or casting vote, and in any event may vote at such General Meeting only if he is or represents a shareholder entitled to vote thereat.

### **24. Adoption of Resolutions at General Meetings**

- (a) A resolution shall be deemed adopted at a General Meeting if supported by members present, in person or by proxy, vested with more than fifty percent (50%) of the total voting power attached to the Shares whose holders were present, in person or by proxy, at such General Meeting and voted thereon.
- (b) Any proposed resolution put to vote at a General Meeting shall be decided on a show of hands, unless a poll is demanded prior to a vote by a show of hands, by any member present in person or by proxy and entitled to vote at such General Meeting.
- (c) A declaration by the Chairman of the General Meeting that a proposed resolution has been adopted or rejected, shall constitute a conclusive evidence of the adoption or rejection, respectively, of same resolution, and no further proof verifying the contents of such declaration or the number or proportion of the votes recorded in favor of or against such resolution shall be required.

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**25. Resolutions in Writing**

A resolution in writing agreed upon by all members of the Company then entitled to vote thereon at General Meetings, shall be deemed to have been adopted by a General Meeting duly convened and held.

**26. Voting Power**

Subject to any provision hereof pertaining to voting rights attached or not-attached to shares of the Company, whether in general or in respect of a specific matter or matters, every member shall have one vote for each share registered in his name on the Register of Members, regardless of its denomination or class, whether the vote is conducted by a show of hands or by a poll.

**27. Attendance and Voting Rights at General Meetings.**

- (a) No member shall be entitled to be present or vote at a General Meeting (or be counted as part of the quorum thereat) unless all amounts due as at the date designated for same General Meeting with respect to his shares were paid.
- (b) A corporate body being a member of the Company and entitled to vote and/or attend at a General Meeting may exercise such rights by authorizing any person, whether in general or for a specific General Meeting, to be present and/or vote on its behalf. Upon the request of the Chairman of the General Meeting, a written evidence of such authorization and its validity (in a form acceptable to the Chairman) shall be furnished thereto.
- (c) A member entitled to vote and/or attend at a General Meeting may appoint a proxy, whether in general or for a specific General Meeting, to exercise such rights, as follows:

- (1) The appointment of a proxy shall be in writing and shall be in the following form or in any other similar form:

“I, the undersigned, \_\_\_\_\_, being a  
(name of member )  
member of \_\_\_\_\_ hereby appoint  
(name of the Company)  
\_\_\_\_\_ of \_\_\_\_\_  
(name of proxy) (address of proxy)

as my proxy to attend [and vote] on my behalf at [any General Meeting of the Company] [the General Meeting of the Company to be held on the \_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ ] and at any adjournment thereof.

Signed this \_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ .

\_\_\_\_\_.”

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(signature of member)

- (2) The instrument appointing a proxy shall be delivered to the Company before the time designated for the General Meeting at which the person named in the instrument proposes to vote and/or attend.
  - (3) A proxy may not delegate his powers to any other person.
  - (4) Termination of the appointment of a proxy shall be governed by the provisions of Section 14 of the Agency Law, 5725-1965.
- (d) A member entitled to vote and/or attend at a General Meeting who is legally incapacitated, may exercise such rights by his custodian.
- (e) If two or more persons are registered as joint owners of any share, the right to attend at a General Meeting, if attached to such share, shall be conferred upon all of the joint owners, but the right to vote at a General Meeting and/or the right to be counted as part of the quorum thereat, if attached to such share, shall be conferred exclusively upon the senior amongst the joint owners attending the General Meeting, in person or by proxy; and for this purpose seniority shall be determined by the order in which the names stand on the Register of Members.

### BOARD OF DIRECTORS

#### **28. Powers of the Board of Directors**

- (a) The Board of Directors shall be vested with the exclusive authority to exercise all of the Company's powers which are not, by the Law, the Memorandum, the Articles or any applicable law, required to be exercised by a resolution in a General Meeting.
- (b) Without derogating from the above, the management of the business of the Company shall be vested exclusively in the Board of Directors.

#### **29. Exercise of Powers of Board of Directors**

- (a) The powers conferred upon the Board of Directors shall be vested in the Board of Directors as a collective body, and not in each one or more of the directors individually, and all such powers may be exercised by the Board of Directors by adopting resolutions in accordance with the provisions of the Articles.
- (b) A resolution shall be deemed adopted at a meeting of the Board of Directors, in person or via conference call, if supported by a majority of the directors attending such meeting or participating in such conference call and entitled to vote thereon, provided however that in the event of a tie vote on any matter discussed at any such meeting of the Board of Directors, the Chairman of the Board of Directors shall have a casting vote on such matter.

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- (c) A resolution in writing agreed upon by all of the directors then in office, who are entitled to vote in relation to the proposed resolution, shall be deemed to have been adopted unanimously by the Board of Directors in a meeting duly convened and held.

### **30. Committees of Directors**

The Board of Directors may delegate any or all of its powers to committees, each consisting of two or more directors, and it may, from time to time, revoke or alter the powers so delegated. Each committee shall, in the exercise of the powers so delegated, conform to any regulations and conditions prescribed by the Board of Directors upon the delegation or at any other time.

The provisions of the Articles with respect to the meetings of the Board of Directors, their convening, adoption of resolutions thereat and adoption of resolutions in writing shall apply, mutatis mutandis, to the meetings of any such committee, in addition to other provisions as may be prescribed by the Board of Directors for regulating any such committee. Notwithstanding the foregoing in this paragraph, no member of any such committee shall have a casting vote on any matter discussed at any meeting of such committee in the event of a tie vote on such matter.

### **31. Number of Directors**

The Board of Directors shall consist of not less than five (5) Directors.

### **32. Appointment and Removal of Directors**

- (a) The Directors shall be appointed by a resolution of a General Meeting of the Company adopted by a majority of more than fifty percent (50%) of the total voting power attached to the Shares whose holders were present, in person or by proxy, at such General Meeting and voted thereon. Any Director appointed to such office shall serve in such office until it is vacated in accordance with Article 34 hereof. The General Meeting may from time to time by such resolution remove any Director from such office. The General Meeting may from time to time by such resolution appoint any Director in place of any Director whose office is vacated or in addition to the other Directors then serving in such office.

Appointment and removal of Directors pursuant to to the foregoing in this Article 32(a) shall be in effect as of the date of adoption of the resolution of such appointment or removal by the General Meeting or as of the date stipulated therefor in such resolution, whichever is later.

- (b) Deleted.
- (c) A person serving as a General Manager of the Company may not be appointed as a member of the Board of Directors.

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### **33. Qualification of Directors**

No person shall be disqualified to serve as a director by reason of his not holding shares in the Company or by reason of his having served as director in the past.

### **34. Vacation of Director's Office**

The office of a director shall be vacated:

- (1) Upon his death;
- (2) On the date at which he is declared a bankrupt or, if the director is a corporation – on the date at which a liquidation order was issued in respect thereof;
- (3) On the date he is declared legally incapacitated;
- (4) On the date stipulated therefor if any in the resolution of his appointment to such office;
- (5) On the date stipulated therefor in the resolution of his removal from such office; or
- (6) On the date stipulated therefor in a written notice of resignation thereby delivered to the Company or upon its delivery to the Company, whichever is later.

### **35. Remuneration of Directors**

No director shall be paid any remuneration by the Company for his services as director unless otherwise prescribed by the Board of Directors, and to the extent same shall be prescribed, and subject to the Law.

### **36. Conflict of Interests**

- (a) A director knowing that he has, directly or indirectly, an interest in any existing or proposed transaction to which the Company is a party, or in which the Company has an interest, shall deliver a written notice to that effect to the Company, specifying the nature of such interest in the transaction.
- (b) A director shall not be disqualified from holding his office by virtue of having an interest in any such transaction, but if such transaction is an "extraordinary transaction" (as such term is defined in the Law) he shall not be entitled to attend a meeting whereat such transaction is considered (or to be counted as part of the quorum present thereat), or to express an opinion in the matter; nor shall he be entitled to vote in favor or against such transaction or in respect of any matter relating thereto. The restrictions set forth above in this sub-Article shall not apply in the event that a majority of the Directors then serving in such office have a personal interest in such extraordinary transaction, but in such event the consummation of such extraordinary transaction shall require

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the approval thereof by the General Meeting of the Company in addition to any other approval thereof which may be required under applicable law.

- (c) A director may hold any other office under the Company, whether with or without remuneration, and may enter into an agreement with the Company with respect to the terms of his appointment to such office. The provisions of Article 36(b) shall apply to any meeting of the Board of Directors whereat such appointment and/or its terms are considered and/or determined, and to all acts of the Board of Directors with respect thereto.
- (d) A director may be engaged by the Company in rendering professional services to the Company, whether with or without remuneration, and may enter into an agreement with the Company with respect to the terms of his engagement. The provisions of Article 36(b) shall apply to any meeting of the Board of Directors whereat such engagement and/or its terms are considered and/or determined, and to all acts of the Board of Directors with respect thereto.
- (e) A transaction to which the Company is a party, in which an officer or a director of the Company is deemed to have a personal interest, solely due to his/her position as an officer or a director or as a shareholder (including as a controlling shareholder) (as such terms are defined in the Law) in another Person, excluding an "extraordinary transaction" (as such term is defined in the Law), shall require approval by one of the following:
  - (i) the Company's Board of Directors – not limited, or
  - (ii) the Company's Audit Committee – not limited, or
  - (iii) the Company's authorized signatories entering on behalf of the Company, in accordance with the Company's signatory rights, into such transaction (provided that no such authorized signatory has or is deemed to have a personal interest in the transaction) as follows – with regard to transactions related to the provision of communications services and equipment by the Company – not limited; with regard to other transactions – annual sum limited to 250,000 NIS per transaction.

The company shall provide the Company's Board of Directors a semi annual report of the transactions approved by the authorized signatories according to this Article.

Such authorized signatories' execution of the documents constituting the Company's entry in such transaction shall be considered as an approval of such transaction for the purpose of this sub-article.

### **37. Alternate Director**

- (a) A director may, by delivering a written notice to the Company, appoint an alternate for himself (hereinafter referred to as "Alternate Director"), remove such Alternate Director and appoint another Alternate Director in place of any

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Alternate Director appointed by him whose office has been vacated for any reason whatsoever. The appointment of the alternate Director shall be for an indefinite period and for all purposes, unless restricted to a specific period, to a specific meeting or act of the Board of Directors, to a specific matter or in any other manner, and same restriction was specified in the appointment instrument or in a written notice delivered to the Company.

- (b) Any notice delivered to the Company pursuant to Article 37(a) shall become effective on the date specified therefore therein or upon delivery thereof to the Company, whichever is later.
- (c) An Alternate Director shall be vested with all rights and shall bear all obligations of the director who appointed him, provided, however, that he shall not be entitled to appoint an alternate for himself (unless the instrument appointing him expressly provides otherwise), and provided further that the Alternate Director shall have no standing at any meeting of the Board of Directors or any committee thereof whereat the director who appointed him is present.
- (d) Any person, including a director and/or an Alternate Director, may act as an Alternate Director.
- (e) The Alternate Director solely shall be responsible for his own acts and omissions, and he shall not be deemed an agent of the director(s) who appointed him.
- (f) The office of an Alternate Director shall be vacated under the circumstances, mutatis mutandis, set forth in Article 34, and such office shall further be ipso facto vacated if the director who appointed such Alternate Director ceases to be a director.

### **38. Meetings of the Board of Directors**

Subject to Articles 39 and 40 below, the Board of Directors may meet, in person or via conference call, adjourn same and otherwise determine and regulate such meetings and their proceedings as it deems fit.

### **39. Convening Meetings of the Board of Directors**

- (a) The Chairman of the Board of Directors may, at any time, convene a meeting of the Board of Directors, and shall be obliged to do so upon receipt of a written demand from any of the directors then in office. In the event there is no such Chairman or a meeting of the Board of Directors was not convened to a date which is no later than ten (10) days following the delivery of such written demand, the majority of the directors then in office may convene a meeting of the Board of Directors. Convening a meeting of the Board of Directors shall be made by delivering a notice thereof to all of the directors not less than one (1) Business Day's prior to the date thereof. Such notice shall

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specify the exact time and place of the meeting so called and the general nature of the business to be considered thereat.

- (b) The accidental omission to give notice of a meeting, or the non-receipt of notice by any director, shall not invalidate the proceedings of such meeting.
- (c) A director may waive his right to receive notice of any meeting, or to receive at least a one (1) Business Day's prior notice, in general or in respect of a specific meeting, and shall be deemed to have waived such right with respect to any meeting at which he was present.

### **40. Quorum**

A majority of the number of directors then in office shall constitute a quorum at meetings of the Board of Directors. No business shall be considered or determined at any meeting of the Board of Directors unless the requisite quorum is present when the meeting proceeds to consider same business.

### **41. Chairman of the Board of Directors**

The Board of Directors may from time to time elect one of its members to be the Chairman of the Board of Directors, remove such Chairman from office and appoint another in his place. The Chairman of the Board of Directors shall preside at every meeting of the Board of Directors, but if there is no such Chairman, or if he is not present or he is unwilling to take the chair at any meeting, the directors present shall elect one of their number to be the chairman of such meeting. The Chairman of the Board of Directors shall have a casting vote in the event of a tie vote on any matter discussed at a meeting of the Board of Directors.

### **42. Validity of Acts of Directors Despite Defects**

All acts done bona fide at any meeting of the Board of Directors, or of a committee of the Board of Directors shall, notwithstanding that it may afterwards be discovered that there was a defect in the appointment or qualification of the participants thereat, or any of them, be as valid as if there was no such defect.

## **ACCOUNTS**

### **43. Books of Account**

- (a) The Board of Directors shall cause the Company to maintain proper and complete books and records in accordance with the laws of Israel and Israeli generally accepted accounting principles ("GAAP") applicable to publicly quoted companies. Any shareholder, other than a Minority Shareholder, may, at its cost, require that the Company give that shareholder such access to its books and records and such assistance so that the shareholder can (i) maintain proper and complete books and records of the Company in the currency desired by that shareholder, and, (ii) prepare separate financial statements of the Company with respect to any or all of the statements in Article 43(b)

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below using accounting methods and principles consistent with those used by such shareholder for financial reporting purposes (whether Israeli GAAP, United States GAAP or generally accepted accounting principles in use for some other relevant country) in the language used by such shareholder for such purposes (whether Hebrew, English, or another language) within the time frames required by such shareholder. The level of access required may be such that an agent of the shareholder must be on premises at the Company daily, and the Company will provide to such agent appropriate work space and secretarial and other assistance at the shareholder's cost. In addition each shareholder, other than a Minority Shareholder, shall have the right to receive from the Company, from time to time upon request, all financial and tax information concerning the Company which that shareholder requires for the purpose of filing any tax returns or other similar documents of such shareholder within the time frames required thereby.

- (b) The Board of Directors shall cause the Company to furnish each shareholder, other than a Minority Shareholder, with the following interim financial statements, prepared in accordance with such accounting principles that if independently audited, no significant adjustments would be necessary in order to conform to Israeli GAAP and an unqualified (other than as reflected in the interim financial statements) opinion would be issued on such financial statements, and annual audited financial statements:
- (1) within fifteen (15) days after the end of each calendar month, balance sheets as of the end of such month, and a statement of profit and loss and a statement of sources and application of funds and a statement of cash flows for such month;
  - (2) within thirty (30) days after the end of each of the first, second and third quarters of each financial year, balance sheets as of the end of such quarter, and a statement of profit and loss and a statement of sources and application of funds and a statement of cash flows for such quarter and for the year to date, in each case prepared in accordance with the laws of Israel and Israeli GAAP applicable to publicly quoted companies as required in the annual audited financial statements and reviewed by the Company's independent auditors and setting forth in each case in comparative form the figures as at the end of and for the previous financial year and other comparative figures as required by such laws, and such other financial information as may be reasonably requested by a shareholder;
  - (3) within sixty (60) days after the end of each financial year, audited financial statements prepared in accordance with the laws of Israel and Israeli GAAP applicable to publicly quoted companies including a balance sheet as at the end of such year, a statement of profit and loss and a statement of source and application of funds and a statement of cash flows for such year, in each case prepared in accordance with Israeli GAAP and setting forth in each case in comparative form the

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figures as at the end of and for the previous financial year, together with all necessary notes and the report of the auditors on such financial statements.

- (c) Each shareholder other than a Minority Shareholder shall have the right, at its own expense, to inspect and to audit the books and records of the Company at any time during reasonable business hours, using its internal accountants and representatives or its outside accountants and representatives, as the inspecting or auditing shareholder deems appropriate.
- (d) If an audit is performed by independent auditors, a copy of the audit report shall be sent by the auditing shareholder to the Company and all other shareholders other than Minority Shareholders.

### **GENERAL MANAGER**

#### **44. General Manager**

- (a) The Board of Directors may, from time to time, appoint one or more persons, as General Manager(s) of the Company, either for a definite period or without any limitation of time, and may confer powers, authorities and rights and/or impose duties and obligations upon such person or persons and determine his or their salaries as the Board of Directors may deem fit and subject to the Law. The Board of Directors shall not appoint as General Manager(s) persons who serve as members of the Board of Directors.
- (b) Notwithstanding the provisions of any agreement between the General Manager and the Company, the Company shall be vested with the power, exercisable by a resolution of the Board of Directors and subject to the Law, to remove the General Manager from his office or to revoke or alter his powers, authorities, rights, duties, obligations or salary.

### **MINUTES**

#### **45. Minutes**

- (a) The proceedings of each General Meeting, meeting of the Board of Directors and meeting of committee of the Board of Directors shall be recorded in the minutes of the Company. Such minutes shall set forth the names of the persons present at every such meeting and all resolutions adopted thereat and shall be signed by the chairman of that meeting.
- (b) All minutes purporting to be executed and signed as aforesaid, shall constitute evidence that the meeting was duly convened and held as recorded in the minutes, unless proven otherwise.

### **DIVIDENDS AND PROFITS**

#### **46. Declaration of Dividends**

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- (a) The Board of Directors may from time to time declare dividends at a rate as the Board of Directors may deem fit considering the profits of the Company.
- (b) Deleted.
- (c) Subject to any special or restricted rights conferred upon the holders of shares as to dividends, all dividends shall be declared and paid pro rata to the amount paid up on account of the nominal value of the shares. The paid-up capital attributable to any share (whether issued at its nominal value, at a premium or at a discount), shall be the nominal value of such share. If the entire consideration for same share was not yet paid to the Company, the amount deemed to be paid-up on account of the nominal value shall be such proportion of the nominal value as the amount paid to the Company with respect to the share bears to its full consideration. Provided, that amounts which have been prepaid on account of shares and the Company has agreed to pay interest thereon shall not be deemed, for the purposes of this Article, to be payments on account of such shares. In the event no amount has been paid with respect to any shares whatsoever, dividends may be declared and paid according to the nominal value of the shares.
- (d) Notice of the declaration of dividends shall be delivered to all those entitled to such dividends.

### **47. Rights to Participate in the Distribution of Dividends**

- (a) Subject to special rights with respect to the Company's profits to be conferred upon any person pursuant to these Articles and further subject to the provisions of the Articles with respect to reserved funds and special funds, all the profits of the Company may be distributed among the members entitled to participate in the distribution of dividends.
- (b) Notwithstanding the foregoing, a share shall not attribute the right to participate in the distribution of dividends which were declared for a period preceding the date of its actual issuance.

### **48. Interest on Dividends**

The Company shall not be obliged to pay, and shall not pay interest on declared dividends.

### **49. Payment of Dividends**

Subject to Article 50, a declared dividend may be paid by a check or wire-transfer made to the order of the person entitled to receive such dividend (and if there are two or more persons entitled to the dividend in respect of the same share – to the order of any one of such persons) or to the order of such person as the person entitled thereto may direct in writing. Same check or wire-transfer shall be sent or made to the address of the person entitled to the dividend as notified to the Company or the bank account designated thereby, as the case may be.

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### **50. Payment in Specie**

Upon the recommendation of the Board of Directors, if approved by an Ordinary Resolution at a General Meeting, dividends may be paid, wholly or partly, by the distribution of specific assets of the Company and/or by the distribution of shares and/or debentures of the Company and/or of any other company, or in any combination of such manners.

### **51. Setting-Off Dividends**

The Company's obligation to pay dividends or any other amount in respect of shares, may be set-off by the Company against any indebtedness, however arising, liquidated or non-liquidated, of the person entitled to receive the dividend.

The provisions contained in this Article shall not prejudice any other right or remedy vested with the Company pursuant to the Articles or any applicable law.

### **52. Unclaimed Dividends**

- (a) Dividends unclaimed by the person entitled thereto within thirty (30) days after the date stipulated for their payment, may be invested or otherwise used by the Company, as it deems fit, until claimed; but the Company shall not be deemed a trustee in respect thereof.
- (b) Dividends unclaimed within a period of seven (7) years from the date stipulated for their payment, shall be forfeited and shall revert to the Company, unless otherwise directed by the Board of Directors.

### **53. Reserves and Funds**

- (a) The Board of Directors may, before recommending the distribution of dividends, determine to set aside out of the profits of the Company or out of an assets revaluation fund and carry to reserve or reserves such sums as it deems fit, and direct the designation, application and use of such sums. The Board of Directors may further determine that any such sums which it deems prudent not to distribute as dividends will not be set aside for reserve, but shall remain as such at the disposal of the Company.
- (b) The Board of Directors may, from time to time, direct the revaluation of the assets of the Company, in whole or in part, and the creation of an assets revaluation fund out of the revaluation surplus, if any.

### **54. Capitalization of Profits**

- (a) Upon the recommendation of the Board of Directors, the Company may determine at a General Meeting that it is desirous of capitalizing all or any part of the sums or assets allocated to the credit of any reserve fund or to the credit of the profit and loss account or being otherwise distributable as dividends (including sums or assets received as premiums on the issuance of shares or

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debentures), and direct accordingly that such sums or assets be released for distribution amongst the members who would have been entitled thereto if distributed by way of dividends and in the same proportion; provided that same sums or assets be not paid in cash or in specie but be applied for the payment in full or in part of the unpaid consideration of the issued shares held by such members and/or for the payment in full of the consideration (as shall be stipulated in said resolution) for shares or debentures of the Company to be issued to such members subsequent to the date of said resolution, credited as fully paid up.

- (b) In the event a resolution as aforesaid shall have been adopted, the Board of Directors shall make all adjustments and applications of the moneys or assets resolved to be capitalized thereby, and shall do all acts and things required to give effect thereto. The Board of Directors may authorize any person to enter into an agreement with the Company on behalf of all members entitled to participate in such distribution, providing for the issuance to such members of any shares or debentures, credited as fully paid, to which they may be entitled upon such capitalization or for the payments on behalf of such members, by the application thereto of the proportions part of the moneys or assets resolved to be capitalized, of the amounts or any part thereof remaining unpaid on their existing shares, and any agreement made under such authority shall be effective and binding upon all such members.

### **BRANCH REGISTERS**

#### **55. Authority to keep Branch Registers**

The Company may keep branch registers in any reciprocal state.

#### **56. Provisions in respect of keeping Branch Registers**

The Board of Directors shall be authorized to make such rules and procedures in connection with the keeping of branch registers as it may, from time to time, think fit.

### **STAMP AND SIGNATURES**

#### **57. The Company's Stamp**

- (a) The Company shall have an official stamp.
- (b) The Company may keep an official stamp for documents made for foreign jurisdiction purposes, and may authorize, from time to time, a person appointed for this purpose to make use of such stamp.

#### **58. The Company's Signature**

- (a) A document shall be deemed signed by the Company upon the fulfillment of all of the following:

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- (1) The Company's stamp was stamped thereon by a person authorized therefore by the Board of Directors, or it bears the name of the Company in print;
  - (2) It bears the signature of one or more persons authorized therefor by the Board of Directors;
- (b) An authorization of one or more persons by the Board of Directors to sign on a document on behalf of the Company shall be deemed to include the authority to stamp the Company's stamp thereon, unless otherwise provided by Board of Directors.
- (c) An authorization by the Board of Directors as provided in Article 58(b) may be for a specific document or for a certain sort of documents or for all the Company's documents or for a definite period of time or for an unlimited period of time, provided that any such authority may be terminated by the Board of Directors, at will.
- (d) The provision of this Article shall apply both to the Company's documents executed in Israel and the Company's documents executed abroad.

### **NOTICES**

#### **59. Notices in Writing**

Notices pursuant to the Law, the Memorandum and the Articles shall be made in writing, and shall be sent to the addressee by hand delivery, post, e-mail, facsimile, or any other customary mode of delivery.

#### **60. Delivery of Notices**

- (a) Each member and each director shall notify the Company in writing of his address for the receipt of notices, documents and other communications relating to the Company, its business and affairs.
- (b) Any notice, document or other communication shall be deemed to have been received on the date they are actually received by the addressee or at its address.
- (c) The address for the purposes of Article 60(b) shall be the address furnished pursuant to Article 60(a), and the address of the Company for the purposes of Article 60(b) shall be its registered address or principal place of business.
- (d) Without derogating from any of the aforesaid, all notices sent to a Minority Shareholder shall also be sent to Holdco.

#### **61. Indemnity and Insurance**

- (a) The Company shall not insure the liability of an Office Holder, indemnify an Office Holder, nor release an Office Holder from any liability he has to the

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Company, other than in accordance with the Companies Law, 5759-1999 ("the Law") and pursuant to the provisions of the following paragraphs of this Article 61.

- (b) Subject to the provisions of the Law, the Company is entitled:
- i. to exempt in advance an Office Holder from his liability (wholly or partially) for damages as a result of a breach of his duty of care to the Company; Notwithstanding the foregoing, the Company may not exempt, in advance, a Director from any such liability he has towards the Company due to a breach of his duty of care arising from a distribution as this term is defined in the Law;
  - ii. to undertake in advance to indemnify an Office Holder of the Company with respect to the liabilities or costs detailed in paragraphs (1), (2) and (3) below imposed on him or incurred by him due to an act performed by him by virtue of him being an Office Holder of the Company:
    1. a financial liability imposed on him in favour of any other person pursuant to any judgment, including a judgment given as a result of a settlement or an arbitrator's award which has been confirmed by a court; and
    2. reasonable litigation expenses, including attorney's fees, incurred by an Office Holder as a result of an investigation or procedure that was commenced against him by an authority empowered to carry out such investigation or procedure, and which ended without an indictment being filed against such Office Holder and without there being a monetary penalty imposed on him in lieu of criminal proceedings, or which ended without an indictment being filed against him but with the imposition of a monetary penalty in lieu of criminal proceedings in respect of an offence that does not require proof of criminal thought; in this paragraph – the ending of a criminal investigation without an indictment being filed shall mean that the relevant file has been closed pursuant to section 62 of the Criminal Procedure Law [Combined Version] 5742-1982 ("the Criminal Procedure Law") or that the proceedings have been stayed by the Attorney General pursuant to section 231 of the Criminal Procedure Law; and a "monetary penalty in lieu of criminal proceedings" shall mean a financial penalty which was imposed under law in lieu of criminal proceedings, including an administrative fine under the Administrative Offences Law 5746-1985, a fine in respect of an offence which was determined as a fine penalty offence pursuant to the Criminal Procedure Law, a monetary sanction or forfeiture; and

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3. reasonable litigation expenses, including attorneys' fees, incurred by an Office Holder or which are imposed on an Office Holder by a court, in proceedings filed against him by the Company, or on its behalf, or by any other person, or in a criminal indictment of which he was acquitted, or in a criminal indictment in which he was convicted of an offence that does not require proof of criminal thought;
  - iii. to indemnify an Office Holder of the Company post-factum with respect to a liability or cost as detailed in Articles 61(b)(ii)(1), (2) and (3), incurred by or imposed on him as a result of an act performed by him by virtue of him being an Office Holder of the Company;
  - iv. to enter into a contract for the insurance of the liability of an Office Holder with respect to liabilities imposed on him as a result of an act performed by him by virtue of him being an Office Holder of the Company in each of the following events:
    1. a breach of the duty of care to the Company or to any other person;
    2. a breach of his fiduciary duty to the Company, provided that the Office Holder acted in good faith and had reasonable grounds to assume that the act would not prejudice the Company's interest;
    3. a financial liability which was imposed on such Office Holder in favor of any other person;
  - v. Notwithstanding the foregoing, in no event shall the Company be entitled to enter into a contract for insurance for the liability of an Office Holders or to indemnify an Office Holder against, or exempt an Office Holder from, liability to the Company for breach of his fiduciary duty (save for indemnification and insurance under the circumstances detailed in Article 61(b)(iv)(2) above) or a breach of his duty of care to the Company that is made intentionally or recklessly (but not, if merely made negligently), or for an act performed with the intention to unlawfully obtain a personal profit or for a fine or penalty imposed upon him.
- (c) An undertaking in advance to indemnify an Office Holder: ("**undertaking to indemnify**") may be given only in respect of the following:
- (1) an undertaking to indemnify in respect of any matter mentioned in Article 61(b)(ii)(1) above, provided that such undertaking to indemnify (a) will be limited to those events which, in the opinion of the Board, are foreseeable in view of the activities of the Company at the time such undertaking to indemnify is given; and (b) will be limited to such amount or to such criterion that the Board has determined as being reasonable in the circumstances of the matter; and (c) will detail the events, which in the opinion of the Board are

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foreseeable as aforesaid, as well as the amount or the criterion that the Board has determined would be reasonable in the circumstances of the matter as aforesaid; and/or

- (2) an undertaking to indemnify in respect of any matter as mentioned in Article 61(b)(ii)(2) or (3).
  
- (d) The Company may exempt from, undertake in advance to indemnify, indemnify post-factum or enter into an insurance contract for the liability of any person who served, serves or will serve, pursuant to a resolution of the Board of Directors, as an Office Holder in another entity in which the Company holds any "means of control" as defined in the Law, and of any person who is not an Office Holder, including, without limitation, any employee, agent, consultant or contractor of the Company who is not an Office Holder, and the provisions of Article 61 (a), (b) and (c) above are not intended to and shall not be construed to restrict the Company from indemnifying or entering into an insurance contract as set forth in this Article 61(d).
  
- (e) In this Article 61, the term "**Office Holder**" shall have the same meaning as in the Law, as may be amended from time to time or any law which shall replace the Law.

### WINDING UP

#### **62. Voluntary Winding Up**

The Company may be wound up by an ordinary resolution adopted by an Extraordinary General Meeting.

#### **63. Distribution of Assets**

If the Company be wound up, then, subject to the provisions of any applicable law and to any special or restricted rights attached to a share, the assets of the Company in excess of its liabilities shall be distributed among the members in proportion to the amount paid-up on account of the nominal value of the shares in respect of which such distribution is being made. The paid-up capital attributable to any share (whether issued at its nominal value, at a premium or at a discount), shall be the nominal value of such share, provided, however, that if the entire consideration for same share was not yet paid to the Company, the amount deemed to be paid-up on account of the nominal value shall be such proportion of the nominal value as the amount paid to the Company with respect to the share bears to its full consideration.