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Securities Regulations (Periodic and Immediate Reports), 1970¹

By virtue of my authority under section 36 of the Securities Law, 5728-1968, on the recommendation of the ISA and with the approval of the Knesset Finance Committee, I hereby enact the following regulations:

Chapter A: General Provisions

Definitions:

¹ 1 Kovetz HaTakanot (Collection of Regulations) 2591, 5730 (30 July 1970), p. 2037.
Amended: Kovetz HaTakanot (Collection of Regulations) 4065, (12 December 1979), p. 564;
Kovetz HaTakanot (Collection of Regulations) 4738, (14 December 1984), p. 394;
Kovetz HaTakanot (Collection of Regulations) 4843, (23 July 1985), p. 1778
Kovetz HaTakanot (Collection of Regulations) 5065, (15 November 1987), p. 150;
Kovetz HaTakanot (Collection of Regulations) 5107, (12 May 1988), p. 811
Kovetz HaTakanot (Collection of Regulations) 5145, (13 November 1988), p. 141;
Kovetz HaTakanot (Collection of Regulations) 5189, (11 June 1988), p. 886
Kovetz HaTakanot (Collection of Regulations) 5368, 5751 (7 July 1991), p. 1027
(amendment came into effect on 1 July 1991);
Kovetz HaTakanot (Collection of Regulations) 5613, (12 July 1994), p. 1169 (see applicability and transition provision in the amending regulations);
Kovetz HaTakanot (Collection of Regulations) 5740, (21 March 1996), p. 645 (see applicability provisions in the amending regulations);
Kovetz HaTakanot (Collection of Regulations) 5819, (20 March 1997), p. 489;
Kovetz HaTakanot (Collection of Regulations) 6019, (17 February 2000), p. 323;
Kovetz HaTakanot (Collection of Regulations) 6128, (18 October 2001), p. 30;
Kovetz HaTakanot (Collection of Regulations) 6130, (1 November 2001), p. 64
Kovetz HaTakanot (Collection of Regulations) 6159, (21 March 2002), p. 564
Kovetz HaTakanot (Collection of Regulations) 6169, (22 May 2002), p. 756
Kovetz HaTakanot (Collection of Regulations) 6200, (7 October 2002), p. 50;
Kovetz HaTakanot (Collection of Regulations) 6235, (7 April 2003), p. 654
Kovetz HaTakanot (Collection of Regulations) 6313, (6 May 2004), p. 654;
Kovetz HaTakanot (Collection of Regulations) 6325, (21 June 2004), p. 718
Kovetz HaTakanot (Collection of Regulations) 6339, (14 September 2004), p. 972
Kovetz HaTakanot (Collection of Regulations) 6362, (18 January 2005), p. 335.
Kovetz HaTakanot (Collection of Regulations) 6370 (17 February 2005), p. 438 (amendment of application regulations and transitional regulations to amendment)
Kovetz HaTakanot (Collection of Regulations) 6431 (31 October 2005) p. 53
Kovetz HaTakanot (Collection of Regulations) 6467, (12 March 2006-5766), p. 566, 573 (two amendments)
Kovetz HaTakanot (Collection of Regulations) 6528, (23 October 2006), p. 169
Kovetz HaTakanot (Collection of Regulations) 6560, (5 February 2007), p. 546-559
Kovetz HaTakanot (Collection of Regulations) 6663, (8 March 2007), p. 706
Kovetz HaTakanot (Collection of Regulations) 6680, (15 June 2008), p. 996
Kovetz HaTakanot (Collection of Regulations) 6687, (6 July 2008), p. 1102
Kovetz HaTakanot (Collection of Regulations) 6725, (30 November 2008), p. 140

[Amended: 2006(2)]

1. In these regulations[, the following terms shall have the meanings indicated alongside them]:

'Corporation' — the corporation that prepares the reports, excluding a joint investment trust fund;

'Possession' and **'purchase'** — according to their meaning in the Law, excluding possession or purchase by an associated company;

'The auditor,' 'accepted accounting rules in the United States,' 'foreign issuer,' 'American auditing standards,' 'international accounting standards' and **'international auditing standards'** – within the meaning thereof under the Financial Statements Regulations;

'Affiliate' -

- (1) A company, in which another company – which is not its parent company – has invested an amount that, according to its adjusted balance sheet, is equal to twenty-five percent or more of the adjusted equity of the other company, whether in shares or in another way, excluding a loan provided in the normal course of business and which is not a shareholders' loan;
- (2) A company in which another company - which is not its parent company – holds twenty-five percent or more of the nominal value of its issued share capital or the voting power therein, or which is entitled to appoint twenty-five percent or more of the number of its directors;

'Principal shareholder' in a corporation - according to the meaning thereof in paragraph (1) of the definition of 'principal shareholder' in a corporation, in section 1 of the Law;

'Convertible securities' - securities that can be converted into shares or that give a right to buy shares;

'Investment trust fund,' 'fund manager' and **'trustee'** – within the meaning thereof pursuant to the Joint Investment Trust Law, -1961;

'Senior corporate officer' and **'independent authorized signatory'** - as defined in section 37(d) of the Law

'Financial statements' - a balance sheet, profit and loss statement, statement of changes in equity and a statement of cash flow, including the notes accompanying them;

'Director with accounting and financial expertise' and **'professionally qualified director'** – within the meaning thereof in section 240(a1) of the Companies Law;

'Quarter' – a period of three months ending on the last day of the third month (the first quarter), of the sixth month (the second quarter), of the ninth month (the third quarter) and of the twelfth month (the fourth quarter) of the corporation's accounting year;

'Report date' - the last day in the first, second and third quarters, [whichever is relevant];

- 'Interim financial statements'** – the corporation's consolidated financial statements, prepared as of the report date, and with regard to a corporation that is not required to prepare consolidated annual statements reports – the corporation's financial statements alone;
- 'Directors' Report'** – a directors' report about the state of the corporation's business, according to the meaning thereof in section 10;
- 'Trading day'** - any day on which there is trading on the stock exchange, including a day on which no trading takes place on it because it is closed under the provisions of section 50 of the Law;
- 'Insurer'** - within the meaning thereof in the Supervision of Insurance Transactions Law -1981;
- 'Date of the report'** - the date on which the periodic report was signed;
- 'Reporting year'** - the corporation's last accounting year that ended before the date of the report;
- 'Financial Statements Regulations'** - the Securities (Preparation of Annual Financial Statements) Regulations, 1993;
- 'Dormant shares'** - within the meaning thereof in section 308 of the Companies Law or shares that were purchased by a controlled corporation in accordance with section 309 of the Companies Law;
- 'Merger'** - as defined in the Companies Law;
- 'Shareholders Register'** - within the meaning thereof in Chapter Two of Part Four of the Companies Law;
- "Material valuation"** – a material valuation carried out by the corporation or by another entity (hereinafter – [an] appraiser) of an asset, liability, contract, capital, activity, revenues or expenses significant to the corporation, which were used as the foundation for the determination of values included in a report, including updates of previous valuations and including for a determination that there is no need to change the values included in a report; for the purpose of this clause and for the purpose of section 10(b)(8) and 37A1, [the term] *"in a report"* shall mean in a prospectus or in any other report prescribed in the Law, with the exception of reports submitted pursuant to section 36 or a tender offer specification as defined in the Securities Law Regulations (Tender Offers) 5760-2000², and as defined in the Securities Law Regulations (Details of an Outline of an Offer of Securities to Employees) 2000.³
- "Very material valuation"** – a "material valuation" with the difference being that the words "very material" replace the word "material";
- "Internal auditor"** - within the meaning thereof in Chapter Four of Part Four of the Companies Law;
- "Internal Audit Law"** – the Internal Audit Law-1992;
- "Critical accounting estimate"** – an estimate which is required to be included in financial statements according to any law, including the accepted accounting and reporting rules, and which was used as the basis for determining reported values in the said statements, to which all of the following applies:

²Kovetz HaTakanot (Collection of Regulations)5760-2000, p. 314

³Kovetz HaTakanot (Collection of Regulations)5760-2000, p. 617

- 1) At the time the estimate was chosen, the corporation was required to make assumptions related to circumstances and events of significant uncertainty;
- 2) A reasonable change to such estimate, including the use of a reasonable alternative estimate, might significantly affect the presentation of a corporation's financial state or the results of the corporation's activities.

“Pro-forma event” – any one of the following:

- (1) A material business combination; it is presumed that a business combination is material if one of the following is true with respect thereto:
 - (a) The acquired corporation's profits, or the acquired activity's performance, during the past year which can be attributed to the corporation due to its holding of the capital of the acquired corporation or its holding of the acquired activity respectively, represent, in their absolute value, thirty percent or more of the corporation's profits which are attributed to the owners of the capital rights therein during the same period, in their absolute value, according to the corporation's and the acquired corporation's financial statements respectively. For the purpose of this sub-paragraph, the “acquired corporation's profits which can be attributed to the corporation due to its holding of the capital of the acquired corporation” shall take into consideration the depreciation of the assets and liabilities of the acquired corporation, on the basis of their value in the corporation's books as of the date of the acquisition, including the assets and liabilities of the acquired corporation which were not recognized in the books of the acquired corporation;
 - (b) The corporation's share of the acquired corporation or of the acquired activity, multiplied by the total of all the acquired corporation's assets or the total of the acquired activity, whichever is relevant, as valued in the corporation's books as of the date of the acquisition and including the assets and liabilities of the acquired corporation which were not recognized in the acquired corporation's books, represent, in their absolute value, thirty percent or more of the corporation's total assets, in their absolute value, according to the financial statements of the corporation and the acquired corporation.
- (2) A material sale of securities of, or rights in, a corporation whose financial statements have been consolidated or proportionally consolidated with the corporation's financial statements, or a sale of a material portion of the corporation's activity; it is presumed that a sale is material if the provisions of paragraph (1) apply to it, mutatis mutandis; for this purpose, the term “sale” shall include a transfer, abandonment, distribution to shareholders or split, and shall include a sale for no consideration, and shall exclude a sale in which the portion that has been sold was, prior to the sale, reported separately as a separate segment or as a terminated activity, as those terms are defined in the accounting rules, provided that

such terminated activity is one whose data is required to be presented separately according to the accounting rules;

“Pro-forma report” – as defined in section 9A;

“Pro-forma data” – quantitative or qualitative data regarding the impact of a pro-forma event on the corporation for the purpose of the profit and loss statement, the statement of changes in equity and the cash flow statement, [based] on the assumption that the pro-forma event occurred at the beginning of the earliest reporting year in which the data were included in the financial statements, and for the purpose of the balance sheet, [based] on the assumption that the pro-forma event took place on the balance sheet date;

“Profits attributed to the owners of the capital rights in the corporation,” “business combination,” “profit” and “acquired corporation” – shall have the meaning given to them in the accounting rules.

Effective date of the Regulations

[Amended: 1979, 1988, 2003(2), 2004, 2005]

2. (a) A corporation whose securities have been offered to the public in accordance with a prospectus or are traded on a stock exchange shall submit reports to the ISA according to the provisions of these regulations, for as long as its securities are held by the public.
- (b) The reports shall be submitted to the ISA in accordance with the provisions of the Securities Regulations (Electronic Signature and Securities) -2003.
- (c) The first reporting period for which a corporation shall submit financial statements shall be the reporting period following the last reporting period for which financial statements were included in the prospectus in accordance with which the corporation's securities were offered to the public.
- (d) A corporation's reporting duty shall end on the date (hereinafter - the date on which the reporting duty ends) on which [any] one of the following occurs, provided that its securities are no longer listed for trading on the stock exchange:
 - (1) There are no more than ten members of the public holding its securities.
 - (2) There are no more than thirty-five members of the public holding its securities; no more than one percent of its issued capital is held by the members of the public who hold its securities; no more than one percent of its issued capital, after full dilution, is held by the members of the public who hold its securities; and the value of the adjusted liability for certificates of indebtedness held by members of the public, including for such certificates of indebtedness that are convertible into shares, does not exceed NIS 500,000.

- (e) Notwithstanding the provisions of sub-section (d), the last reporting period for which a corporation shall submit financial statements shall be the last reporting period ending prior to the date on which the reporting duty ends.
- (f) If, to the best of a corporation's knowledge, the conditions stated in sub-section (d) are met with respect to the corporation, it shall submit an immediate report that will specify such conditions, the date on which they were met and the last reporting period for which the corporation is required to submit financial statements pursuant to sub-section (e).
- (g) In this section [the following terms shall have the meanings indicated alongside them]:
 - "*Financial statements*" - a periodic report according to the meaning thereof in Chapter B, or interim financial statements together with a directors' report according to the meaning thereof in section 48, whichever is relevant;
 - "*Members of the public holding securities*" - all the holders of the corporation's securities except for the controlling shareholder;
 - "*Securities*" - all securities that were issued in accordance with a prospectus or that were listed for trading on the stock exchange;
 - "*Reporting period*" - a reporting quarter or year, whichever is relevant.

Form of reports

3. Reports shall be presented in a format which is convenient for reading, and with numbered pages.

Items [to be included] in the reports

[Amended: 2000, 1994, 2004]

4. (a) The reports shall include the items specified in these regulations, according to the order [in which they are listed] herein; it is not necessary to mention the non-existence of a certain item unless these regulations expressly require such [mention].
 - (a1) If a pro-forma report has been published pursuant to section 9A or pursuant to section 38B, [the corporation] will [also] publish pro-forma reports with regard to the pro-forma event which was the subject of the [said pro-forma] report during the first three reporting periods following the reporting period in which the said pro-forma report was published. [Such pro-forma reports shall be published] in the framework of periodic or quarterly reports, whichever is relevant, and [shall be prepared] with regard to the data included in these reports; the pro-forma reports will be published along with the auditing accountant's review report or opinion;
 - (b) If more than one person is deemed to be the holder of certain securities with regard to the holding of which there is a duty to make a report pursuant to these regulations, all the said holders [of such securities] shall

be mentioned in the report, with an indication of the number of securities of all kinds that are held at that time by more than one person; the provisions of this sub-section shall not apply to a holder that is a nominee company.

- (c) The particulars [listed] in these regulations shall be presented in so far as they concern the corporation's business and are significant to its proper presentation; without derogating from the generality of the above provisions, any item that may be important to a reasonable investor who is considering an investment in the corporation's securities shall also be presented.

Number for securities on a stock exchange

(Amended: 2000)

- 4A. In these regulations, whenever reporting is required regarding a security that is listed for trade on a stock exchange, its numbering on the stock exchange price list shall be indicated alongside the name of the security.

Signing the statements

(Amended: 2000, 2004, 2006)

5. The reports shall be signed by the persons authorized to sign on behalf of the corporation and they shall indicate the date of the signature; the name of the signatory and his or her position in the corporation shall be indicated next to each signature.

Inclusion by way of reference

[Amended: 2004, 2006(2)]

- 5A. (a) A corporation may include in a report [any] details that are required by these regulations by way of reference to a quarterly report or to an immediate report which was submitted by the corporation, as [such was] published by means of electronic reporting and filed in accordance with the Law (in this section - "another report), and the following provisions shall apply:
- (1) Information shall not be included by way of reference to another report if more than four years have passed from the date of its publication until the date of report in which the reference is made;
 - (2) Information shall not be included by way of reference to another report in which that information is included by way of reference;
 - (3) Information shall not be included by way of reference if this may mislead or cause a lack of clarity;
 - (4) Information shall not be included by way of reference to another report that was not properly filed;

- (5) The reference shall be made expressly and shall state the type of report to which the reference is being made, the date stated on the report, the date on which the report was published, the chapters or sections to which the reference is made and the matter to which the reference is made, while expressly stating the fact that the information is included by way of reference;
 - (6) The report in which information is included by reference to another report shall include any development that occurred or any update, concerning the information that is being included by way of reference;
 - (7) If the information that is being included by way of reference is of the kind that requires prior consent in order to be included in a report [initially], a renewed consent of the same type shall also be included with regard to the inclusion by way of reference in the present reporting as well.
- (b) The provisions of this section shall not apply to a corporation if, during the three years preceding the date of the report, a controlling shareholder in such corporation or any corporate officers therein were convicted of an offence pursuant to the Law.

Opinion, report or approval

[Amended: 2005(3), 2006(2)]

- 5B. (a) Any report, opinion or approval (hereinafter — “a certificate”), which is included in a report, shall also include all of the following:
- (1) The signature of the person giving the certificate, stating his or her name and the date of the signature;
 - (2) The prior consent of the person giving the certificate with respect to its inclusion in the report;
 - (3) If an undertaking was provided to indemnify the person giving the certificate, for the certificate - this fact shall be indicated along with the details of the indemnification, including the identity of the party giving the indemnification;
 - (4) The facts, assumptions, calculations and forecasts that underlie the certificate and on which the person giving the certificate relied, [any] model that was used in [preparing] the certificate, if there was one, and the reasons for choosing this model.
- (b) If a certificate does not contain the items that are listed in sub-section (a)(4), the corporation shall include them in the report.
- (c) If the date of the certificate precedes the date of publication of the report by more than 90 days, the report shall indicate all of the following:

- (1) The period of time that has passed from the date of the certificate until the date of the report's publication, with an indication that such period exceeds 90 days;
 - (2) Any changes that occurred after the date of the certificate that may change the conclusions [presented in] the certificate, and the corporation's reasons for including it in the report notwithstanding these changes.
- (d) The provisions of this section shall not apply to:
- (1) an accountant's opinion filed pursuant to section 9 below;
 - (2) a banking corporation or a credit card company;
 - (3) an insurer;
 - (4) a certificate attached to a report of a corporation with which [the data of] a banking corporation or a credit card company or an insurer has been consolidated or proportionately consolidated, to the extent that the source of such certificate is the reporting of the banking corporation or credit card company or insurer, whichever is relevant.
- (e) Notwithstanding the provisions of this section, a certificate that constitutes a valuation shall be subject to the provisions of sections 8B, 10(b)(8), 37A1 and 49;

Chapter B:

Periodic Report - Date of Filing and Particulars to be Included Therein

6. *Repealed.*

Date for filing the report

[amended: 1979, 1989(2), 1994, 1996, 2002(2), 2004]

7. (a) A corporation shall submit a periodic report every year to the ISA, within three months of the end of its reporting year, provided that the report is submitted fourteen days or more before the date set for convening the general meeting at which the corporation's financial statements will be presented, or within three days of the date on which the corporation's accountant signed his or her opinion regarding the corporation's audited financial statements, whichever is earliest.
- (b) The date of the signature on the periodic report shall not be more than three days before the date on which it is submitted to the ISA.

Items and form of the periodic report

[Amended: 1996(3), 2003, 2006(2)]

8. (a) The periodic report shall contain the documents and the items set out in this chapter, and a table of contents shall be attached thereto.
- (b) The periodic report shall be divided into four chapters in accordance with the following order: description of the corporation's business; directors' report concerning the state of the corporation's affairs; financial statements; [and] additional details concerning the corporation.

Description of the corporation's business

[Amended: 2003, 2006(2)]

- 8A. The periodic report shall include a description of the corporation and the development of its business that occurred in the previous year, in accordance with the details and the principles in the First Schedule to the Securities (Details, Structure and Form of Prospectus) Regulations, 1969, *mutatis mutandis*, and wherever the Schedule includes the term 'prospectus', that term shall be understood as meaning 'report.'

Valuation

[Amended: 2004, 2006(2)]

- 8B (a) Where a very material valuation was used as the basis for determining reported values in a periodic report, including as the basis for a determination that there is no need to amend such a reported value, the corporation shall attach the said very material valuation to the periodic report.
- (b) The valuation should reflect, *inter alia*, the following:
- (1) Details of the corporate organ that decided to contract with the appraiser; for the purpose of this clause, the term "organ" – shall have the meaning given to it pursuant to section 46 of the Companies Law, including the audit committee, the [chief] financial officer or any other corporate officer in the corporation;
 - (2) The existence [if there is such] of a [relationship of] dependency between the corporation and the appraiser; if such a dependency exists – the corporation shall state its nature and clarify why the said appraiser was preferred over other independent appraisers.

The provisions of this sub-section shall not apply to valuations conducted by the corporation itself.

- (c) Notwithstanding the provisions of section 5A(a), a corporation may include by reference any very material valuations which were publicized in periodic reports of another corporation by means of electronic filing, provided that the very material valuation was presented in compliance with these regulations; such an inclusion [by reference] shall not be subject to section 5A(a)(1).
- (d) Valuations that are attached to a periodic report shall include all the matters listed in the Third Schedule, as well as any other significant detail which is important to a reasonable investor; if such a valuation did not include the aforesaid details, the corporation shall complete those details in the periodic report.
- (e) If a valuation was not written in Hebrew, a translation of the valuation into Hebrew along with the translator's confirmation of the accuracy of translation and his or her agreement to the inclusion of the said translation and confirmation in the periodic report shall be included in the said report; valuations written in English may be attached in the original language.
- (f) If the effective date of a valuation precedes the publication date of the periodic report, by more than 90 days, the following should be stated in the periodic report:
 - (1) the period of time that has passed from the effective date until the publication date of the periodic report, with an indication that such period exceeds 90 days;
 - (2) any changes that occurred since the effective date [and] which may alter the conclusions [presented in] the valuation, and the company's reasons for its inclusion in the periodic report notwithstanding the said changes;

In this sub-section, "effective date" – shall mean the date to which the valuation refers.

- (g) The provisions of sub-section (a) shall not apply to very material valuations pertaining to law suits, client receivables or to inventory balances, as well as to valuation used as the basis for determining reported values of "included companies" as defined in the Financial Statements Regulations.
- (h) The ISA may exempt a corporation from including all or part of very material valuation, if, after the corporation's case [for such] is presented,

the ISA is persuaded that the said exemption will not harm the interests of the investing public.

- (i) If a material valuation or a very material valuation was used in determining values reported in the periodic report, including in making a determination that there has been no change in such values, all the following will be indicated in a table:
- (1) The identity of the subject of the valuation (the asset, liability, contractual relationship, capital, activity, income or expense, whichever is relevant);
 - (2) The timing of the valuation;
 - (3) The value of the subject of the valuation immediately preceding the date of the valuation, [as it would have been] if the accepted accounting principles, including those regarding depreciation and reduction, did not require that its value be changed in accordance with the valuation;
 - (4) The value of the subject of the valuation that was determined in accordance with the valuation;
 - (5) The identity of the appraiser and his or her characteristics, including education, experience in carrying out valuations for accounting purposes in reporting corporations and [in carrying out valuations] of sizes similar to those [involved] in the reported valuation or exceeding such sizes, and the [degree of] dependency upon the party ordering the valuation, including a discussion of [any] indemnification agreements [entered into] with the appraiser;
 - (6) The valuation model in accordance with which the appraiser worked (DCF, the comparative method, the B & S model, etc.);
 - (7) The assumptions according to which the appraiser carried out the valuation, in accordance with the valuation model and including:
 - (a) The capitalization rate (or WACC);
 - (b) The growth rate;
 - (c) the terminal value as a percentage of the value determined in the valuation;
 - (d) The standard deviation;
 - (e) The prices used as the basis for a comparison [made in order to carry out the valuation];

- (f) The number of [items that served as] the basis for [such a] comparison.

Exemptions from Regulations 8A, 8B, 8(b)

[Amended: 2006]

8C. The provisions of Regulations 8A, 8B, 8(b) shall not apply to:

- (1) A banking corporation;
- (2) An insurer;
- (3) Information in a periodic report of a corporation with which [the data of] a banking corporation is consolidated or is proportionately consolidated or of a corporation for whom a banking corporation is an included affiliate, to the extent that such information refers to the banking corporation;
- (4) Information in a periodic report of a corporation with which [the data of] an insurer is consolidated or is proportionately consolidated, or of a corporation for whom an insurer is its included company, to the extent that such information refers to the insurer;
- (5) Information in a periodic report of a corporation with which [the data of] a special corporation is consolidated or is proportionately or of a corporation for whom a special corporation is its included company, in so far as the included information fulfills both the following conditions:
 - (a) It concerns the special corporation;
 - (b) It is not subject to disclosure pursuant to the foreign law that applies to the special corporation;

In this paragraph, the term “special corporation” shall mean a corporation that is subject to the provisions of Chapter 5C of the Law;

In this regulation, the term “banking corporation” also refers to a credit card company.

Financial statements:

[Amended: 1979, 1997, 2003]

9. (a) The reports shall include the corporation's annual financial statements as of the date on which the corporation's reporting year ended (hereinafter – "the balance sheet date"), prepared in accordance with the provisions of the Financial Statements Regulations, and properly audited.
- (b) The reports shall include an opinion from the corporation's accountant regarding the corporation's audited financial statements and regarding the corporation's audited consolidated financial statements shall be included, and this shall also include a confirmation that the [financial] statements were prepared in accordance with the Financial Statements Regulations.
- (c) The reports shall include an opinion such as is described in sub-section (b), from the accountant of any subsidiary whose financial statements were attached to the corporation's financial statements, regarding the financial statements of such subsidiary.
- (d) An opinion included in a report pursuant to sub-section (b) or (c) shall state the date on which it was signed by an accountant.
- (e) The reports shall be signed on behalf of the corporation by the chairman of the board of directors, the general manager and the most senior corporate officer who deals with finance, or by a director whom the board of directors has authorized [to act] instead of any one of the aforesaid for the purpose of signing the financial statements as of a particular date, and the provisions of section 5 shall apply [to the authorized director].

Pro-forma report

[Amended: 2008]

- 9A. (a) If a pro-forma event has occurred during the reporting year, after the balance sheet date and up to the date of the approval of the financial statements, provided that the completion [of such event] does not involve [the fulfillment of] substantive conditions, the following pro-forma data will be attached to the auditing accountant's opinion, along with [an indication of] the presumptions on which their preparation was based:
- (1) A balance sheet which includes the impact of the pro-forma event, as of the end of the reporting year, unless the pro-forma event was fully reflected in the corporation's balance sheet as of the end of the reporting year;

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- (2) A profit and loss statement which includes the impact of the pro-forma event (hereinafter: "the pro-forma profit and loss statement") for each of the reporting years whose data are included in the corporation's financial statements; if the said data do not properly reflect the impact of the pro-forma event on the corporation, the pro-forma profit and loss statement data will be presented only for those reporting years whose are included in the financial statements such that the pro-forma data will properly reflect the impact of the pro-forma event on the corporation, provided that the [pro-forma] data for the last reporting year are presented and the corporation's explanations for the non-inclusion of some of the [pro-forma] data, as stated, are [also] presented;
 - (3) An additional financial statement, including a report on changes in equity and a cash flow statement, at the request of the ISA or of an authorized ISA employee;
 - (4) The pro-forma financial statements will be prepared, *mutatis mutandis*, in accordance with the Financial Statements Regulations;
 - (5) Notwithstanding the provisions of [sub-]paragraph (4), the notes for the data that are included in the pro-forma financial statements will be presented only to the extent they are necessary for the purpose of understanding [such statements];
 - (a1) Notwithstanding the provisions of sub-section (a), if a pro-forma event takes place after the balance sheet date and up to the date of the approval of the financial statements, or if it is virtually certain that the pro-forma event will be completed during the three months following the date of the approval and the completion does not involve [the fulfillment of] any material conditions, the corporation may publish a pro-forma statement in an immediate report [to be published] within 90 days from the date of the pro-forma event or of its completion, whichever is relevant, or in the context of the quarterly report for the period in which the pro-forma event took place, whichever is [to be published] earlier.
 - (b) If the Chairman of the ISA or whoever has been authorized for such purpose in writing is persuaded that such information is important for a reasonable investor who is considering a purchase or sale of the corporation's securities, he or she may order the publication of a pro-forma statement even in the event of a circumstance which does not constitute a pro-forma event – such publication to be in the manner ordered, including through the publication of an immediate report.

- (c) If the Chairman of the ISA or whoever has been authorized for such purpose in writing is persuaded that on the date of the submission of the financial statements, the corporation is unable to publish a [set of] pro-forma statement[s], he or she may order the corporation to publish the pro-forma data in an immediate report by a date that the Chairman shall determine.
- (d) If the Chairman of the ISA or whoever has been authorized for such purpose in writing is persuaded that circumstances are such that the pro-forma data do not provide any additional important information beyond that which is included in the corporation's financial statements, that the provision of such data could be misleading or that there is a substantial difficulty in presenting the pro-forma data because of their unavailability or because of the [reduced] level of their reliability, he or she may exempt the corporation from the presentation of all or some of the pro-forma data in the pro-forma report, or to condition [the granting of] such [an] exemption, including upon [compliance with] a request for additional information or upon the presentation in an alternate form of the information required pursuant to this regulation.
- (e) If the Chairman of the ISA or whoever has been authorized for such purpose in writing is persuaded that such is required for the purpose of proper disclosure, he or she may require that the financial statements of a corporation which is the acquired corporation in a substantial business combination be attached to the [reporting] corporation's financial statements.

Directors' report regarding the state of the corporation's affairs

[Amended: 2006, 2007, 2002, 1996, 1994, 1988]

10. (a) A directors' report regarding the state of the corporation's affairs in the reporting year shall be included, containing the directors' explanations of the state of the corporation's business, the results of its activities, its equity and its cash flow; the explanations shall relate to the way in which events influenced the data in the financial statements and the data in the description of the corporation's business - if such influence was significant - and to the causes of any changes that occurred in the state of the corporation's affairs in comparison to the [earlier] reporting years included in the financial statements; the directors' report shall relate to the main data found in the financial statements and within the framework of the description of the corporation's business, and shall include additional information that the corporation has in its possession with regard to the reporting year; all [of these shall be included] if, in the opinion of the board of directors they are important for a balanced understanding of the state of the corporation's affairs by a reasonable investor who is considering a purchase or sale of the corporation's

securities. The directors' report shall also include particulars regarding the corporation's [charitable] donations. The directors' report shall also include details with regard to exposure to market risks and [with regard to] the methods that are being used to manage them.⁴

(b) The directors' report shall be prepared as follows:

- (1) The explanations shall relate to each of the following issues:
 - (a) *(Deleted)*;
 - (b) The [corporation's] financial condition;
 - (c) The results of [the corporation's] activities;
 - (d) Liquidity;
 - (e) Sources of finance;
 - (e1) The pro-forma data that were included in the pro-forma report;
 - (f) *(Deleted)*;
 - (g) The main data from the description of the corporation's business;
 - (h) In so far as possible, within the framework of the matters stated in sub-paragraphs (b) to (g), each sphere of activity included in the description of the corporation's business or [each] sector included in the financial statements should be discussed separately.

Within the framework of the said topics, the directors shall relate to the matters set out in the First Schedule, in so far as they are relevant to the corporation, and to additional matters if, in the opinion of the board of directors, they are important for [the purpose of] understanding the state of the corporation's affairs as stated in sub-section (a). Reference should not be made to matters that are irrelevant to the corporation, or which, in the opinion of the board of directors are not material or which, if omitted, would not impair the understanding of the state of the corporation's affairs, and there is also no need to repeat information set out in the financial statements;

- (2) Mention should be made of the following, *inter alia*:
 - (a) *(Deleted)*;
 - (b) The impact on the data in the financial statements of events and trends in the corporation's activity and in its business environment, and of the commitments that the corporation has made;
 - (c) *(Deleted)*;
 - (d) Exceptional or one-time events;

⁴ See the effective date and transition provisions in the note to the Second Schedule.

- (e) Events that may indicate financial difficulties;
 - (f) The impact on the data in the financial statements of a joint venture, of an investment in a company or in another corporation, or the impact on financial statement data of an increase or decrease in the extent of the participation in such a venture or investment, if the impact was very significant;
 - (g) An explanation regarding any matters to which the corporation's accountant called attention in his or her opinion regarding the financial statements;
 - (h) The effect on the data in the financial statements of any special contracts within the meaning thereof in section 37 of the Financial Statements Regulations;
- (3) An explanation shall be provided regarding significant changes that occurred in the corporation's activity and its affairs and with respect to the data in its financial statements, during each of the quarters of the reporting year and especially in the fourth quarter.
- (4) An explanation shall be provided regarding the relationship between the compensation given as described in section 21 and the contribution to the corporation of the person receiving the compensation, and an indication shall be provided as to whether such compensation is fair and reasonable.
- (5) Reference shall be made to events that occurred after the balance sheet date and which are mentioned in the financial statements.
- (6) Details shall be provided concerning the corporation's policy with regard to the making of [charitable] donations, if any [such policy] has been established, and concerning the incorporation of this policy within the corporation's business; details shall be provided of the amounts of the corporation's donations in the reporting year, indicating any undertaking to make donations in future periods.
- (7) Details shall be provided regarding exposure to market risks and regarding the methods that are being used to manage them,⁵ as set out in the Second Schedule.
- (8) If there are substantial disparities between[– on the one hand –] the significant assumptions, evaluations and projections which lay at the basis of any valuation or professional opinion which was attached to the report during the last three years preceding the date of the report and[– on the other hand –]the actual outcome [of the events to which such assumptions, evaluations and projections

⁵ See the entry into force and transition provisions in the note to the Second Schedule.

related], such disparities should be described, along with a specification of the reasons for the development of the disparities and their impact on the values that were established [in the relevant valuation or professional opinion]; for the purpose of this section and of section 37A1, the term "*professional opinion*" – shall have the meaning given to it in section 15 of the Securities Law (Private Offering of Securities in a Listed Company), 2000, or in section 9 of the Securities Law (Transaction between a Company and Its Controlling Shareholder), 2001;

- (9) A detailed explanation shall be included with respect to the directors with accounting and financial expertise shall be presented as described below:
- (a) The minimal required number of directors with accounting and financial expertise shall be specified, in accordance with the decision of the board of directors pursuant to section 92(a)(12) of the Companies Law (henceforth – the minimal number), as well as the board's grounds for its decision, with reference to the duties, powers and functions imposed upon the board of directors by law, and taking into consideration, *inter alia*, the type of company, and the size, scope and complexity of its activity;
 - (b) If the board of directors had changed its determination regarding the minimal number during the reporting period – such change shall be described and the board of directors' reasons for it shall be specified;
 - (c) The following [particulars] shall be indicated with regard to a director whom the company perceives as having accounting and financial expertise – [and the same information shall be indicated] with regard to an individual acting on behalf of a director that is a corporation which has accounting and financial expertise:

His or her name, qualifications, education, experience and knowledge, on the basis of which the company perceives such person as being a director with accounting and financial expertise;
 - (d) The report will, if the number of directors with accounting and financial expertise falls below the minimal number, specify the reasons for this, as well as the measures the company intends to take in order to comply with the requirement that [the board of directors include] at least the

minimal number [of directors with accounting and financial expertise], and the timetable established for the aforesaid compliance [with the minimal number requirement];

- (10) An update shall be included with regard to each possible event or matter to which section 37A2 (a) applies.
 - (11) Details regarding the corporation's internal auditor shall be provided as prescribed in the Fourth Schedule; if a corporation does not have an internal auditor – the report shall indicate why there is no internal auditor and shall describe the measures the corporation intends to take regarding this issue;
 - (12) Details regarding the corporation's external auditor shall be provided as prescribed in the Seventh Schedule; for this purpose, an external auditor who acts in Israel as a representative [office] or branch of an external auditor who acts abroad, and the external auditor who acts abroad, shall be seen as two separate external auditors.
- (c) If the corporation has prepared consolidated financial statements, the directors' report shall relate to these statements.
- (c1) *(Repealed)*
- (d) The directors' report shall be written in clear and comprehensible language and it shall be divided into subjects as set out in sub-section (b)(1); however, the board of directors may combine the explanations regarding issues or matters that are related to one another, if, in the board's opinion, this will contribute to the clarity of the directors' report.
- (e) The corporation's board of directors shall approve the directors' report and the financial statements at the same time, and the report shall be signed by two persons — the chairman of the board of directors or another director whom the board of directors has authorized for this purpose, and the general manager or whoever in the corporation holds that position even if his or her title is different, and the provisions of section 5 shall apply, *mutatis mutandis*.
- (f) In this Section and in Section 48, [the following terms shall have the meanings indicated alongside them]:
'Exposure' - accounting exposure or economic exposure;
'Accounting exposure' - market risks relating to the equity, net profit or loss or cash flow values that are included in the corporation's financial statements;

'*Economic exposure*' — market risks relating to the corporation's value or to its cash flow;

'*Management of market risks*' — the measures that the corporation takes in order to affect its exposure to market risks;

"*Market factors*" — including interest, exchange rates, the prices of products and services traded on the commodities markets, the prices of securities traded in Israel and outside Israel, price indices and securities indices;

'*Market risks*' — market risks or cash flow risks due to interest rates, within the meaning thereof in the accepted accounting and reporting rules;

Summary of quarterly profit and loss report:

(Amended: 1994)

- 10A. [Every report] shall include a table which contains a summary of the corporation's profit and loss statements for each of the quarters in the reporting year, in the format of interim financial statements.

Qualification of applicability pertaining to sections 10 and 10A:

(Amended: 1994, 2006)

- 10B. The provision of sections 10 and 10A shall not apply to:

- (1) a banking corporation;
- (2) an insurer;
- (3) information in a periodic report of a corporation with which [the data of] a banking corporation is consolidated or is proportionately consolidated, to the extent that such information refers to the banking corporation;
- (4) information in a periodic report of a corporation with which [the data of] an insurer is consolidated or is proportionately consolidated, to the extent that such information refers to the insurer;
- (5) information in a periodic report of a corporation with which [the data of] a corporation which is subject to the provisions of Chapter 5C of the Law (hereinafter: "the consolidated corporation") is consolidated or is proportionately consolidated, provided that such information fulfills both the following conditions:
 - (a) it pertains to the consolidated corporation;
 - (b) it is not subject to disclosure pursuant to the foreign law that applies to the consolidated corporation;

Use of proceeds [from the sale of offered] securities:

[Amended: 1984(2), 1994]

- 10C. (a) The report shall provide details of the use that the corporation has made of the proceeds [from the sale of] any securities offered in the last prospectus that was published before the date of the report, making reference to the [designated] objectives set out in the prospectus with respect to the [use of such proceeds], the amounts required to achieve each of the [designated] objectives, the dates on which they were achieved and details of the stage reached for those [designated] objectives that have not yet been achieved; the amounts [to be described with respect to the proceeds] shall be determined in accordance with the prices [of the securities] on the date of the prospectus, and [such prices] are to be compared to the prices for the securities on the date of the report.
- (b) If one or more of the [designated] objectives for the proceeds that are mentioned in the prospectus is not achieved, or if any such objective was not achieved in accordance with the anticipated timetable, the report shall indicate this fact as well as the causes that led to this [development].
- (c) If in the reporting year the corporation has realized a right that it reserved in the prospectus, [which allows it] to change the [designated] objectives for the achievement of which the corporation intended to use the proceeds, or to change the amounts required for achieving one or more of the [designated] objectives or [to change] the timetable for achieving one or more of the [designated] objectives, the report shall describe the particulars regarding such matters, as changed, and the details to be provided pursuant to this Section shall be with respect to these changed particulars.
- (d) The details that are required to be included pursuant to this section shall be included as long as all of the proceeds for the issue have not expended and a report has not been filed which includes the details about the designated use of the proceeds.

List of investments in subsidiaries and affiliates:

[Amended: 2000, 1988]

11. The report shall include a list of the corporation's investments on the balance sheet date, in each of its subsidiaries and affiliates, containing the following details:
- (1) The number of the shares or convertible securities according to their classes, nominal values, adjusted cost on the balance sheet date, value in the adjusted balance sheet, prices of the shares or convertible securities listed for trading on a stock exchange on the balance sheet date - and if there is no trading on the balance sheet date, [the report should indicate the prices of the relevant securities] on the last date of trading preceding the balance sheet date - and the percentage of the shares and convertible

securities held by the corporation out of the total of all the securities issued of the same class;

- (2) The percentage of each subsidiary's and affiliate's issued share capital, voting rights and power to appoint its directors that the corporation [itself] holds;
- (3) The balance of the debentures and loans in the adjusted balance sheet, their main terms and, *inter alia*, their redemption years, linkage terms for the capital or the interest and the basis for linkage, details of [any] rights to convert debentures or loans into shares or other securities, and the prices of [any] debentures [that are] listed on a stock exchange on the date stated in paragraph (1).

Changes in investment in subsidiaries and affiliates:

[Amended: 1988(2), 2004]

12. (a) Details shall be included regarding any changes that have taken place during the reporting year with regard to the corporation's investments in each subsidiary and affiliate, including the dates of the changes and the main terms of the transactions related to these changes.
- (b) Such details shall also be included with regard to changes in a company that became a subsidiary or affiliate or which ceased to be such a company during the reporting year.

Income of subsidiaries and affiliates and income from them

[Amended: 1988(2), 2004]

13. The profits or losses of each subsidiary or affiliate of the corporation shall be stated, adjusted for the date of the corporation's balance sheet, both before and after tax, for each such subsidiary's or affiliate's last accounting year that has ended on or before the corporation's balance sheet date, and the following shall be described [with respect to such profits and losses] –
 - (1) The dividend and management fees that the corporation received, through the [corporation's] balance sheet date, from every such company for that accounting year, and also any such payment for a later period, all of which shall be [presented after having been] adjusted to the corporation's balance sheet date;
 - (2) The dividend and management fees that the corporation received after the [corporation's] balance sheet date or which it is entitled to receive from each company as stated for that accounting year and also any such payment for a later period, all of which shall be presented in nominal amounts and presented along with the dates of their payment;
 - (3) The interest that the corporation received or which it was entitled to receive from every such company for that accounting year and for any

later period, all of which shall be presented in nominal amounts and presented along with the dates of their payment.

List of loans

14. (a) If granting loans is one of the corporation's main businesses, the report shall include a list of the balances of the loans it has made, as of the corporation's balance sheet date. The loan balances shall be presented in accordance with appropriate categories, in accordance with the amounts of the balances of the loans, [and] indicating the number of borrowers included in each category.
- (b) If a borrower has received more than one loan, all the loans that such borrower has received shall be deemed, for the purpose of this section, to be one loan [which was given] in an amount equal to the total of all the balances of the said loans.
- (c) The provisions of this section shall not apply to a company or a cooperative society that does business by receiving money from a current account in order to make payments by check, upon demand.

(Amended: 2000)

15-19. Repealed.

Trading on a stock exchange

(Amended: 2004)

20. If securities issued by the corporation were listed for trading on a stock exchange during the reporting year, or if trading in them was suspended during that period, the report shall indicate the class of the said securities and their nominal value, and if the trading in them was suspended, the reason that it was suspended shall also be stated.

Compensation to principal shareholders and to senior corporate officers

21. (a) The compensation provided during the reporting year to each of the following will be described in the report, as specified in Parts B and C of the Sixth Schedule:
 - (1) Each of the five [parties] receiving the highest compensation among the senior corporate officers in the corporation and in any corporation that it controls, if such compensation was provided to such [parties] in connection with such parties' service [as corporate officers] within the corporation or in a corporation that it controls - whether such compensation was provided by the corporation or by another party; if a person serves as a senior corporate officer in more than one corporation among the said corporations, his or her

- compensation will be examined [for this purpose] on an aggregate basis;
- (2) Each of the three corporate officers receiving the highest compensation in the corporation, who received such compensation in connection with their service within the corporation itself, if not included within [sub-]paragraph (1);
 - (3) Any principal shareholder in the corporation [to whom compensation was paid] who is not included within [sub-]paragraphs (1) or (2), whether the compensation was paid to [such principal shareholder] by the corporation or by a corporation that it controls.
- (b) With regard to the compensation of the senior corporate officers only – in addition to the [requirements of the] provisions of sub-regulation (a) and separately therefrom, the compensation to such persons in connection with their service or employment during the reporting year and provided to them after the reporting year and prior to the date of the report's submission will [also] be described.
- (c) For the purpose of this section, [the following terms shall have the meanings indicated alongside them]:

“Salary” – includes conditions that accompany the salary, such as [payments for] car maintenance, telephone services, social benefits, amounts set-aside for compensation in the event of a conclusion of the employer-employee relationship, and any other income credited to salary because of a [salary] component [which is] granted to an employee;

“Compensation” – including an undertaking to give compensation, either directly or indirectly, and including an amount of money or anything which is a money equivalent, a salary, grant, management fee, consulting fee, rental payment, commission, interest, share based compensation, retirement compensation which is not a pension payment, benefit and any other good – all excluding a dividend;

“Share based compensation” – as defined in the accounting rules, as those [rules are] defined in the Financial Statements Regulations;

Transactions with a controlling shareholder

22. (a) Particulars shall be provided, in accordance with the corporation's best knowledge, regarding any transaction with a controlling shareholder or in the approval of which a controlling shareholder has a personal interest, in which the corporation has contracted during the reporting year or at a date later than the end of the reporting year and up to the date of the report's filing, or which remains in effect at the reporting date. [The particulars to be provided shall] include the identity of the parties to the transaction, the content [of the transaction] and its qualitative and quantitative characteristics, the controlling shareholder's personal interest in it, the date of its approval and the

particulars of the [corporate] organ that approved the transaction; the particulars shall be provided with a distinction being made between the transactions listed in section 270(4) of the Companies Law and all other transactions; notwithstanding the above, if the transaction is negligible - as that word is defined in section 64(3)(d)(1) of the Financial Statements Regulations - the particulars to be provided shall be those listed in that section [of the Financial Statements Regulations].

- (b) In this section, [the term] “the corporation’s contractual relationship” shall also refer to a contractual relationship entered into by a corporation that it controls, or a contractual relationship of the corporation’s affiliate.

23. Repealed.

(Amended: 2000)

Holdings of principal shareholders:

[Amended: 2000, 2001, 2002, 2003, 2004]

24. (a) Details shall be provided, to the best of the corporation’s knowledge, regarding the shares and convertible securities that each principal shareholder of the corporation holds in the corporation on the date of the report or on a date as close to that date as possible, with details of the name of each principal shareholder, the percentage of the corporation’s shares and of each [class] of the corporation’s convertible securities that such principal shareholder holds on the said date and after full dilution, and the nominal value of the shares in the corporation that each such principal shareholder has undertaken to buy or that the corporation has undertaken to sell to each such principal shareholder.
- (b) Details shall be provided, to the best of the corporation’s knowledge, regarding the shares and convertible securities that each principal shareholder holds in each subsidiary or affiliate of the corporation on the date of the report, or on a date as close to that date as possible.
- (c) For the purpose of sub-section (a), a fund manager shall be deemed to be the holder of the [corporation’s] issued share capital which is included in the [managed] fund’s assets; for the purpose of sub-sections (a) and (b), a subsidiary of the corporation shall be deemed to be a principal shareholder in the corporation.
- (d) The report shall state, to the best of the corporation’s knowledge, the [number of] dormant shares and the [number of] securities (hereinafter [in this sub-paragraph] – “convertible [securities]”) that can be converted into, or realized as, dormant shares, that the corporation or a subsidiary or a purchasing corporation within the meaning thereof in section 309(a) of the Companies Law (hereinafter [in this sub-paragraph] – a “purchasing corporation”), holds in the corporation on the date of the report or on a date as close to it as possible, together with details of the name of the [corporation] holding [such shares and convertible securities], the

percentage that such corporation holds of the shares and of each [class] of the corporation's convertible securities on the said date and after full dilution, and the nominal value of the shares in the corporation that it undertook to buy or that the corporation undertook to sell to it.

Registered capital, issued capital and convertible securities

(Amended 2003, 2004)

24A. The report shall indicate the number of shares included in the corporation's registered capital, the number of shares included in the [corporation's] issued share capital and the number of such shares following the deduction of the dormant shares. [These amounts will be presented] separately [with respect to] shares that do not bestow voting rights and those that do not bestow any rights whatsoever; the report shall also specify the [number of] the corporation's convertible securities.

25. Repealed.

(Amended: 2000, 2004)

Registered address:

[Amended: 1988, 2003, 2004]

25A. The report shall indicate the corporation's registered address, its e-mail address and its telephone and facsimile numbers.

The corporation's directors

[Amended: 1988, 2003, 2004, 2006]

26. (a) With regard to each of the directors and substitute directors of the corporation, the following [information] shall be provided -
- (1) Name;
 - (1a) Identity number;
 - (2) Date of birth;
 - (3) Address for service of court papers;
 - (4) Nationality;
 - (5) Membership in a board of directors committee or committees;
 - (6) Whether or not the director is an external director according to the definition thereof in the Companies Law and whether the director has accounting and financial expertise or professional qualification;
 - (7) If the director is an employee of the corporation, of its subsidiary, of its affiliate or of a principal shareholder therein - the position or positions that the director holds;
 - (8) The date on which he or she began to hold office as a director of the corporation;

- (9) The director's education and his or her occupation in the last five years, with a specification of the corporations in which he or she serves as director; the details of the director's education will indicate the professions or fields in which the education was acquired, the institution in which it was acquired and the academic degree or professional certification that the director holds;
 - (10) Whether the director, to the best of the corporation's knowledge and that of its directors, is a relative of another principal shareholder in the corporation, and the details of the relationship;
 - (11) Whether the director is a director whom the company perceives as having accounting and financial expertise for the purpose of meeting the minimal number established by the board of directors in accordance with section 92(a)(12) of the Companies Law.
- (a1) If the director, or the substitute director, is a corporation (hereinafter - a director-corporation), the following details shall be provided, in addition to the provisions of sub-section (a):
- (1) The name of the director-corporation's controlling shareholder;
 - (2) The place in which the director-corporation was incorporated, and its identification number in the place of its registration;
 - (3) Whether the director-corporation is the [reporting] corporation's affiliate, along with details of the relevant facts;
 - (4) Whether the director-corporation's controlling shareholder is a relative of a principal shareholder in the [reporting] corporation, and the details of the relationship;
 - (5) The names of the principal shareholders in the director-corporation who are also principal shareholders in the [reporting] corporation;
 - (6) The name of the individual who holds office on behalf of the director-corporation, as well as all the details set out in sub-section (a) with respect to such individual.
- (b) The ISA may exempt the corporation from disclosing an item required pursuant to sub-section (a) or (a1) if it is of the opinion that the circumstances of the case justify such a decision.

Senior corporate officers

[Amended: 2003, 2004, 2006]

- 26A. With regard to each of the corporation's senior corporate officers, whose details were not included pursuant to section 26, the following [information] shall be provided-
- (1) Name;
 - (1a) Identity number;
 - (2) Date of birth;

- (2a) The date [on which the said senior corporate officer] began to hold office;
- (3) The position the said senior corporate officer holds in the corporation, or in its subsidiary or affiliate, or in a principal shareholder thereof; if the senior corporate officer is an independent authorized signatory of the corporation, that fact will [also] be indicated;
- (4) Whether the said senior corporate officer is a principal shareholder in the corporation or a relative of another senior corporate officer or a principal shareholder in the corporation;
- (5) The senior corporate officer's education and his or her professional experience in the last five years; the details of the director's education will indicate the professions or fields in which the education was acquired, the institution in which it was acquired and the academic degree or professional certification that the senior corporate officer holds;

Independent authorized signatory of a corporation

- 26b. Regarding a corporation, the report will indicate the number of independent authorized signatories, as determined by the corporation.

The Corporation's Accountant

(Amended: 1988)

27. The report shall indicate the name and office address of the corporation's accountant. If, to the best of the corporation's knowledge, the accountant or the accountant's partner is a principal shareholder or a relative of a principal shareholder or of a senior corporate officer in the corporation — the details [of such relationships] shall be provided.

Amendment of memorandum or by-laws

[Amended: 1994, 2003]

28. The report shall describe any amendment of the corporation's memorandum or by-laws which was made during the reporting year.

Recommendations and decisions of the board of directors

[Amended: 1988, 2002, 2003, 2004]

29. (a) The report shall present the recommendations that were submitted by the board of directors to the general meeting, as well as any board of directors' resolutions that did not require the approval of the general meeting, with regard to:

- (1) The payment of a dividend or the making of a distribution - as defined in the Companies Law - in any other way, or [with regard to a distribution of bonus shares;
 - (2) A change in the corporation's registered or issued capital;
 - (3) An amendment of the corporation's memorandum or by-laws;
 - (4) A redemption of shares;
 - (5) An early redemption of debentures;
 - (6) A transaction between the corporation and a principal shareholder therein which is not [carried out] on the basis of fair market value.
- (b) The report shall include any general meeting resolutions that were adopted other than in accordance with the recommendations of the directors regarding the matters set out in sub-section (a).
- (c) The report shall include any resolutions of a special general meeting.

Company resolutions

[Amended: 2003]

- 29A. The report shall include details concerning the company resolutions [regarding the] following [matters]:
- (1) The approval of actions pursuant to section 255 of the Companies Law, with details of the name of the corporate officer [who was involved] and of his or her position [in the company], the date and details of the action, the date of the approval of the action, a description of the proceedings in which the action was approved and the reasons for its approval;
 - (2) An action described in section 254(a) of the Companies Law that was not approved, whether it was presented for approval as described in section 255 of the Companies Law or not, as well as the name of the corporate officer [who was involved] and his or her position [in the company], the date and details of the action, the date of the resolution, a description of the proceedings that preceded the non-presentation for approval or the non-approval, and the reasons for this;
 - (3) Transactions that require special approvals pursuant to section 270(1) of the Companies Law, provided that they concern an extraordinary transaction, as defined in the Companies Law;
 - (4) An exemption, insurance or an undertaking to indemnify [given to] a corporate officer, as defined in the Companies Law, which is in force on the date of the report.

Chapter C:

Immediate Reports - Date for their Submission and Details to be Included in Them

The immediate report and the date for its filing

[Amended: 2000, 2003, 2004]

30. (a) A corporation shall file immediate reports regarding [the occurrence of any of the] events listed in this chapter.
- (b) Immediate reports are to be filed – if these regulations do not provide otherwise – at the following times:
- (1) If the corporation first learns of an event before 9:30 on any trading day - no later than 13:00 on that day;
 - (2) If the corporation first learns of an event at another time - no later than 9:30 on the next trading day.
 - (3) In this section -
'If the corporation first learns of an event' – [shall refer to a situation in which] one of the following [individuals] first becomes aware of the occurrence of the event: the chairman of the corporation's board of directors, its general manager, its chief business manager, the corporation's most senior corporate officer who deals with finance, the corporation's secretary, or anyone carrying out any of these functions in the corporation, even if the title given to his or her position is different.
- (c) *(Repealed)*
- (d) The report shall state the date and time at which the event occurred and the date and time at which the corporation first learned about its occurrence, and the details set out below in this chapter.
- (e) In any event, an immediate report must be filed before the corporation or a senior corporate officer thereof publicizes any or all of the information [which is] included in the report. If the immediate report is filed during the half hour before trading begins or during the hours when trading takes place on the stock exchange on which the corporation's securities are listed, the corporation shall not publicize any or all of the information included in it nor have such information made public until 30 minutes have passed from the time the report was filed.

Immediate report at the request of the ISA

[Amended: 2003, 2004]

- 30A. If information regarding a certain event which is not listed in this chapter reaches the ISA, and the ISA is of the opinion that the said information is of importance to a reasonable investor who is considering a purchase or sale of the corporation's securities, the ISA may require that the corporation file an immediate report regarding the said event with the ISA within a period [of time] that the ISA shall determine.

Change in capital, voting rights and the right to receive a dividend

[Amended: 2002, 2003, 2004]

31. (a) If a change is made to the corporation's registered or issued capital, [an immediate report shall provide] details of all the various types of such changes and of the consideration which was paid or which is to be paid for any shares that were issued.

(a1) If the change in the number of the shares in the issued capital is less than 1% of the corporation's issued capital, the [immediate] report shall be made by way of a comprehensive report, to be filed between the first and fifth of each month after the month in which the change occurred as stated (in this section — the comprehensive report); the comprehensive report shall report the details regarding each change separately.

Notwithstanding the above, in the following cases, the [immediate] report shall be filed at the times established in section 30, even if the date [required] for filing the comprehensive report has not yet arrived:

- (1) The cumulative change since the filing of the previous comprehensive report has amounted to [at least] 1% of the corporation's issued capital;
- (2) A determinative date has passed, regarding which confirmation of ownership within the meaning thereof in the Companies Regulations (Proof of Ownership of a Share for the Purpose of Voting at a General Meeting) - 2000 is required, or which concerns entitlement to interest, redemption, dividends, rights, a bonus or any other right.

(b) If dormant shares are created in the corporation's issued share capital, or if there is a change in the number of such shares or in the identity of the party holding them (in this section - a "change"), [an immediate] report shall refer to such change and shall provide the following details:

- (1) The name of the holder of the dormant shares;
- (2) The name of the share;
- (3) The date of the change;
- (4) The manner in which the change occurred: [i.e., whether by way of] a purchase - including a purchase to which sections 333 and 340 of the Companies Law apply – or a sale, forfeiture within the meaning thereof in section 181 of the Companies Law, conversion or other change;
- (5) If the change was by way of a purchase or a sale, the [immediate] report will indicate whether it took place in the course of trading on a stock exchange or outside a stock exchange, and in [the case of] a purchase in the context of an issue [of new shares] — the [immediate] report will indicate whether the issue was in the

- context of a public offering or [in the context of an exercise] of rights;
- (6) The number of the dormant shares that the holder of such shares held before and after the change took place;
 - (7) The percentage of the corporation's outstanding share capital that the holder of the dormant shares holds after the change takes place;
 - (8) The percentage of voting power in the corporation that the holder of the dormant shares holds after the change takes place;
 - (9) (*deleted*);
 - (10) The details listed in section 33(a)(7) and (8), *mutatis mutandis*;
 - (11) With regard to a purchasing corporation which is subject to section 369 of the Companies Law, the [immediate] report will provide separate descriptions of the change with respect to shares bought before the date on which the Companies Law took effect (hereinafter – "old shares") and with respect to shares that were bought after the said effective date; the [immediate] report shall also indicate, with respect to old shares, whether such shares entitle their holders to voting rights.
- (c) If the change in the number of dormant shares, as described in sub-section (b), is less than 1% of the corporation's issued share capital, the reporting shall be made by way of a comprehensive report; the comprehensive report shall include, *mutatis mutandis*, the details described in sub-section (b), subject to the provisions of sub-section (a1)(1) or (2);
- (d) Details of the number of the shares included in the corporation's registered capital, the number of the shares included in the issued share capital and the number of the said shares less the dormant shares shall be attached to any report which is submitted pursuant to sub-sections (a1)(1) and (2); such details shall be provided separately with respect to the number of the shares that do not grant voting rights and the number of the shares that do not grant any rights whatsoever.

Change of name

[Amended: 2003, 2004]

- 31A. If the Companies Registrar has authorized the corporation's change of name, an [immediate] report shall provide details of the change and the date on which the change was registered at the Registrar's office.

Change in the details of a corporation

[Amended: 2003, 2004]

- 31B. If the corporation has changed its address, telephone or facsimile numbers or its electronic mail address, an [immediate] report shall provide details of such change.

Changes to the by-laws

[Amended: 2003, 2004]

- 31C. If the corporation has adopted a resolution to amend its by-laws, the full text of the amendment and the date on which it entered into force shall be included in an [immediate] report, and the full text of the amended by-laws shall be attached [to the report].

Changes to the memorandum or its annulment

[Amended: 2004]

- 31D. (a) If the corporation has adopted a resolution to amend its memorandum, the full text of the amendment and the date on which it comes into force shall be included in an [immediate] report, and the full text of the amended memorandum shall be attached [to the report].
- (b) If an application is filed with the court regarding the change or annulment of provisions of the memorandum, an [immediate] report shall provide details of the date of the filing of the application, its main points and the court's rulings on the application.

Changes in the shareholders' register

[Amended: 2003, 2004]

- 31E. If there is a change in the shareholders' register, details of the change shall be included in an [immediate] report, and the updated situation of the shareholders who are registered in the shareholders' register shall be attached, with details of the quantit[ies] and class[es] of the shares held by them.

Discrimination

[Amended: 2003, 2004]

- 31F. If an application is made to the court to set aside or prevent discrimination [against all or some of its shareholders] pursuant to section 191 of the Companies Law – except in the case of an application whose effect on the corporation is negligible – [an immediate] report shall provide the following details:
- (a) The date on which the application was filed and its main points;
- (b) The court's rulings relating to the application.

Public company changing into a private company

[Amended: 2003, 2004]

- 31G. If a public company is converted into a private company pursuant to the Companies Law, details shall be provided in [an immediate] report regarding the circumstances that resulted in the corporation becoming a private company, and

stating whether the provisions of section 36 of the Law will continue to apply to it.

Compromise or settlement

[Amended: 2003, 2004]

- 31H. (a) If an application is made to the court for a compromise or settlement under sections 350 or 351 of the Companies Law – except in the case of an *ex parte* application to grant an order to suspend proceedings under section 350(b) of the Companies Law – [an immediate] report shall provide the following details:
- (1) The date on which the application was filed in court and its main points, and the text of the notice published under section 2(a) of the Companies Regulations (Application for Compromise or Settlement) - 2002;
 - (2) The main points of the rehabilitation program, within the meaning thereof under section 38(3) of the Companies Regulations (Application for Compromise or Settlement) - 2002, which was filed with the court, if such a program was filed;
 - (3) The main points of additional applications that were made to the court with regard to the application for a compromise or settlement [and] which may have a significant effect on the corporation, and the date on which these applications were filed;
 - (4) The granting of an order suspending proceedings or an order transferring assets, whichever is relevant;
 - (5) The appointment of a [corporate] official by the court, and the powers held by the appointed party;
 - (6) A decision concerning the convening of creditors' or shareholders' meetings, whichever is relevant;
 - (7) The results of the creditors' or shareholders' meetings, whichever is relevant;
 - (8) The court's rulings.
- (b) An [immediate] report such as is described in sub-section (a) shall state the place and date at which it is possible to inspect the documents that are the subject of the report.

Filing an application to approve a distribution

[Amended: 2003, 2004]

31I. If the corporation has made an application to the court to approve a distribution in accordance with section 303 of the Companies Law, an [immediate] report shall include –

- (1) The date on which the application was filed in the court and the text of the notice published under section 3 of the Companies Regulations (Approval of Distribution) - 2001.
- (2) Details concerning the court's rulings on the application.

Application for a company liquidation or appointment of a liquidator

[Amended: 2003, 2004]

31J. (a) If an application for an order that the corporation be liquidated or for the appointment of a receiver, liquidator, temporary liquidator, trustee, special manager or other official (hereinafter – “an official”) is made to the court or to the Chief Execution Officer, whichever is relevant, an [immediate] report shall provide the following details:

- (1) The filing, date and main points of the application, except in the case of an application whose grounds are negligible;
 - (2) The filing of additional applications with the court or with the Chief Execution Officer, whichever is relevant, their main points and the dates on which they were filed, excluding applications made within the framework of a proceeding to which the last part of paragraph (1) applies and with regard to which no [immediate] report has been filed;
 - (3) An appointment of a [corporate] official by the court or by the Chief Execution Officer, whichever is relevant, and the appointed party's powers;
 - (4) Any rulings made by the court or by the Chief Execution Officer, whichever is relevant, excluding rulings that dismiss an application to which the last part[s] of paragraphs (1) and (2) apply and with regard to which no report has been filed.
- (b) If an official has filed a report with the court or with the Chief Execution Officer, whichever is relevant, the [immediate report] shall provide details of the main points of the report that was filed as stated, and shall indicate the place and times at which it may be inspected.

Merger

[Amended: 2003, 2004]

31K. If the corporation's board of directors has decided upon a merger, an [immediate] report shall include the following –

- (1) The merger proposal, within the meaning thereof under section 316 of the Companies Law;
- (2) The resolutions of the general meeting and of the class meetings; if a vote was held in accordance with the provisions of section 320(c) of the Companies Law, the [immediate] report shall include the following details: the total number of all the shares [whose holders] participated in the vote, the number of the shares that were voted in favor of the proposal and the number that were voted against it, and the percentage that these constitute of the total of all the shares that were counted for the purpose of the vote, [taking note of] the distinction which is required [to be made] between the shareholders pursuant to section 320(c) of the Companies Law;
- (3) If a creditor has made an application to the court asking it to stay or prevent the merger, pursuant to section 319 of the Companies Law, the [immediate] report shall include the date on which the application was filed and the main arguments [made in the application];
- (4) The court's rulings [on any such application];
- (5) The Antitrust General Director's notice, within the meaning thereof under the Restrictive Trade Practices Law, 1988;
- (6) Details with regard to the execution of the merger and of its registration with the Companies Registrar.

Rights to purchase shares

32. If the corporation has granted rights to purchase shares, an [immediate] report shall state the class of the said shares, their number, the consideration for the shares and for the undertakings to issue them and the date on which the right to purchase them will expire.

Holding of a principal shareholder

[Amended: 1998, 2000, 2002, 2003, 2004, 2006]

33. (a) If a change has occurred in the number of shares or convertible securities of any class that a principal shareholder of the corporation holds in the

corporation or in any of its subsidiaries or in any of its affiliates, or if a contract is made the execution of which will cause such a change (all of which shall be referred to hereinafter in this regulation as "a change"), an [immediate] report shall describe the change, to the best of the corporation's knowledge, with the following details:

- (1) The name of the principal shareholder;
- (1a) His or her identity number;
- (2) The name of the security;
- (3) The date of the change;
- (4) The manner in which the change took place — a purchase, sale, including a short sale, the signing of a loan document, a conversion or other change;
- (5) If the change occurred by way of a purchase, sale, including a short sale – whether it was carried out during trading on the stock exchange, or outside the stock exchange, and if it occurred by way of a purchase from an issue – whether it was through a public offering or by means of [an exercise of] rights;
- (6) The number of securities that the principal shareholder held before and after the change [occurred];
- (7) The price at which the change took place and the total financial consideration [received as a result of the change]. If all or part of the price was not paid on the date of the change, the [report] shall indicate the date on which the price or the balance thereof is payable; if payment is not made at the appointed time, an additional immediate report shall be submitted which will indicate that payment was not made at the appointed time and provide the reasons for such non-payment;
- (8) If it was agreed that all or some of the shares or convertible securities would not be transferred on the date of the agreement concerning the occurrence of the change, the [immediate] report shall indicate the date stipulated for the transfer; if the transfer does not take place at the appointed time, an additional immediate report shall be submitted which will indicate that the transfer did not take place at the appointed time and provide the reasons for the failure to carry out the transfer;

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- (9) The percentage of the corporation's issued share capital held by the principal shareholder after the change, and the percentage represented by that holding after full dilution;
 - (10) The percentage of the voting power in the corporation held by the principal shareholder after the change, and the percentage represented by that holding after full dilution;
 - (11) If the change occurred through the signing of a loan document, details shall also be provided of the manner through which the loan is to be ended, whether through the return to the lender of the securities that were loaned or through the sale of the loaned securities if the borrower does not return them to the lender;
 - (12) Whether [the securities the holding of which has been changed] are dormant shares or securities that are convertible into dormant shares.
- (b) Notwithstanding the provisions of sub-section (a) -
- (1) If a banking corporation or an auxiliary corporation (hereinafter - banking corporation) is a principal shareholder by virtue of its holdings in a nostro account, and by virtue of its holding through and together with the holdings of management companies of joint investment trust funds and provident funds or management companies of provident funds, which are either directly or indirectly controlled or managed by [the banking corporation] (all of which are referred to jointly hereinafter as a "banking reporting group"), the cumulative change in the holdings of the banking reporting group shall be reported, in accordance with the corporation's best knowledge, in a report such as is described in sub-section (c) [below] and with the details listed therein [and] subject to sub-section (d). However, a report of a change in the holdings in a nostro account shall be included in accordance with the details listed in sub-section (a) and on the dates prescribed in section 30;
 - (2) If an insurer is a principal shareholder by virtue of its holdings in a nostro account, and by virtue of its holding through and together with holdings in profitsharing life insurance accounts, the holdings of joint investment trust management companies, [the holdings of] provident funds or [the holdings of] provident fund management companies, which are either directly or indirectly controlled or managed by [the insurance company], (all of which are referred to jointly hereinafter as an "insurance reporting group"), the cumulative change in the holdings of the insurance

reporting group shall be reported, in accordance with the corporation's best knowledge, in a report such as is described in sub-section (c) [below] and with the details listed therein [and] subject to sub-section (d). However, a report of a change in the holdings in a nostro account shall be included in accordance with the details listed in sub-section (a) and on the dates prescribed in section 30;

In this sub-section and in sub-sections (c) and (d), [the following terms shall have the meanings indicated alongside them]:

'Banking corporation' or **'auxiliary corporation'** – within the meaning thereof in the Banking (Licensing) Law - 1981, excluding a joint service company and including a corporation directly controlling a banking corporation or an auxiliary corporation;

'Joint Investment Trust Management Company' - within the meaning thereof in the Joint Investment Trust Law -1994;

'Provident fund' - within the meaning thereof in section 47(a)(2) of the Income Tax Ordinance;

'Insurer' - as defined in the Supervision of Insurance Transactions Law - 1981 (hereinafter — the "Supervision Law"), and also a corporation that directly controls an insurer pursuant to a permit to hold means of control that was provided pursuant to section 32 of the Control Law;

'Profit-sharing life insurance' - as defined in the Supervision of Insurance Transactions Regulations (Account Details) -1998;

'Nostro account' - a securities account held by a banking corporation or by an insurer, whichever is relevant, for itself or through corporations controlled by it, excluding holdings [held] through and together with joint investment trust management companies, provident funds or provident fund management companies or [through the holdings of] profit-sharing life insurance accounts, which are controlled by the banking corporation or the insurer, or [which are] directly or indirectly managed by [the banking corporation or the insurer].

- (c) Once a week, on the second trading day in the week, the corporation shall file a report containing details of the principal shareholders therein and of their holdings in the corporation's securities (hereinafter – a "status report") as of the end of the last trading day in the previous week (hereinafter - the validity date), unless on the said validity date there was no change in the holdings of principal shareholders in comparison with their holdings [as described] in the previous status report; for this purpose,

[the term] '*change in the holdings of a principal shareholder*' will also include a [change that takes place] as a result of a change in the number of dormant shares or a conversion of convertible securities. The status report shall provide the following details, to the best of the corporation's knowledge, with regard to each principal shareholder:

- (1) The name of the principal shareholder;
- (2) His or her identity number;
- (3) The name of the security;
- (4) The number of securities that the principal shareholder holds as of the status report's validity date;
- (5) The balance of the principal shareholders' holdings [as described] in the previous status report;
- (6) An[y] increase or decrease, whichever is relevant, in the principal shareholder's holdings since the previous status report;
- (7) The percentage of the corporation's issued share capital that is held by the principal shareholder, and the percentage represented by that holding after full dilution;
- (8) The percentage of the voting power in the corporation held by the principal shareholder, and the percentage represented by that holding after full dilution;
- (9) The [nature of the] family relationship to any other principal shareholder in the corporation who is a family member;
- (10) The existence of voting agreements and other agreements relating to the holding of the corporation's securities, stating the main points thereof;
- (11) Notwithstanding the above provisions, should there be grounds for a determination that the principal shareholder is a company or a cooperative society, the report shall provide details of the party holding either direct or indirect control of such company or cooperative society, whichever is relevant;
- (12) Notwithstanding the above provisions, should there be ground to determine that the principal shareholder is a partnership; details shall be provided of the partners;

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- (13) Notwithstanding the above provisions, should there be ground for a determination that the principal shareholder is a limited partnership, the report shall provide details of the general partner;
 - (14) If the principal shareholder is a trustee, the report shall provide details of the trust and of its nature, as well as details of the beneficiary;
 - (15) If the principal shareholder is a banking reporting group or an insurance reporting group, the report shall provide details of the members of the group and an indication of the relationship between them, and the details in paragraphs (1) to (14), whichever are relevant, shall be included separately with regard to all the members of the group;
 - (16) The report shall also provide any additional detail that is important to a reasonable investor for the purpose of understanding the structure of the holdings of the principal shareholders in the corporation.
- (d) Notwithstanding the provisions of sub-section (c), if the cumulative change in the holdings of a banking reporting group or of an insurance reporting group in the corporation since the submission of the previous status report or since the submission of the [last immediate] report under this sub-section, whichever is later, has amounted to [at least] 1% of the corporation's issued and paid-up capital, and the time for the submission of the next status report has not yet arrived, a report of the changes in the holdings of the banking reporting group or of the insurance reporting group, whichever is relevant, shall be submitted, in accordance with the details listed in sub-section (c), on the dates prescribed in section 30.
 - (e) If a person has become a principal shareholder in the corporation, the report shall indicate his or her name, address and the number of shares or convertible securities of each class that, to the best of the corporation's knowledge, he or she holds in the corporation or in any of its subsidiaries or in any of its affiliates, together with the details stated in sub-section (a) that relate to the act which resulted in the person becoming a principal shareholder in the corporation.
 - (f) If a person has become a principal shareholder in a corporation as a result of shares in the corporation becoming dormant shares, the change shall be indicated, at the latest, when such person first executes a change such as is described in sub-section (a) [above], after which such person remains a principal shareholder of the corporation.

- (g) If a person has ceased to be a principal shareholder in the corporation, the report shall indicate the date on which he or she ceased to be a principal shareholder and shall provide the details set out in sub-section (a) [above] with regard to the event that resulted in such person ceasing to be a principal shareholder in the corporation.
- (h) For the purpose of this section, a subsidiary of the corporation and a senior corporate officer in the corporation who holds the corporation's securities shall be deemed to be principal shareholder[s] of the corporation.

33A. Repealed.

(Amended: 2000)

Replacement of senior corporate officers

[Amended: 1998, 2003(2), 2006(2)]

34. (a) If a senior corporate officer in the corporation has ceased to serve in his or her position, [an immediate] report shall provide details of his or her name, the position that he or she has left, the date of his or her departure, whether or not he or she will continue to be a principal shareholder or senior corporate officer in the corporation after leaving office and details with regard thereto, and also, to the best of the corporation's knowledge, [the relevant] one of the following two [alternatives]:
- (1) That the departure from [such person's] position does not involve circumstances that should be brought to the attention of the holders of the corporation's securities;
 - (2) That the departure from [such person's] position does involve such circumstances, along with a specification of such circumstances.
- (a1) If director had ceased to act in his or her capacity as such, [an immediate] report shall provide, in addition to the details listed in sub-section (a), the following details as well:
- (1) Whether the director who has ceased to act in his or her capacity as such is a director whom the company considered to be a director with accounting and financial expertise for the purpose of complying with the minimal number established by the board of directors, in accordance with section 92(a)(12) of the Companies Law.
 - (2) Whether, following the cessation of the director's tenure, the number of directors in the company who have accounting and financial expertise has fallen below the [above-mentioned] minimal number.

- (b) If a [new] senior corporate officer has been appointed in the corporation, [an immediate] report shall provide the details set out in section 26 or 26A, whichever is relevant.
- (c) Any notice that an external director has submitted regarding his or her resignation under section 37(c) of the Law shall be attached to an immediate report, and such report shall provide details of the reasons for his or her resignation, in accordance with section 229(b) of the Companies Law.
- (d) A report such as is described in sub-sections (a) and (b) shall have attached to it a report containing a list of the senior corporate officers in the corporation as of the date of the [attached] list.

Appointment and replacement of accountant

[Amended: 1998, 2003(2), 2006]

35. (a) If the corporation's accountant has ceased to serve in that position, [an immediate] report shall provide details of his or her name and of the date of his or her departure and also, to the best of the corporation's knowledge, [the relevant] one of the following two [alternatives]:
- (1) That the departure [from service as the corporation's accountant] does not involve circumstances that should be brought to the attention of the holders of the corporation's securities;
 - (2) That the departure [from service as the corporation's accountant] does involve such circumstances, along with a specification of such circumstances.
- (b) If a new accountant has been appointed for the corporation, [an immediate] report shall provide details of his or her name, the address of his or her office and the date of his or her appointment; if, to the best of the corporation's knowledge, the accountant or his or her partner is a principal shareholder, senior corporate officer or family member of a principal shareholder or of a senior corporate officer in the corporation, [the immediate report] shall indicate [such a relationship] and provide the details thereof.

Event or matter that deviates from the corporation's ordinary course of business

(Amended: 2000, 2007)

36. (a) An [immediate] report shall provide, with respect to any event or matter that deviates from the corporation's ordinary course of business, the details of [such an event's or matter's] nature, scope or potential result which will have or could have a significant effect on the corporation; the same details

will be provided with respect to any event or matter that could significantly affect the price of the corporation's securities.

- (a1) If an event or matter described in subsection (a) is the corporation's agreement to purchase a significant asset, the corporation shall submit [an immediate] report at every stage of the transaction, containing details of the asset to be acquired, and of special risk factors – if there are such – and their effect on the corporation's business, as described in the Fifth Schedule; moreover, the report will include any other significant detail that would be important for a reasonable investor for the purpose of understanding the acquisition; for this purpose, [the term] "*acquisition*" shall mean any situation in which control - including indirect control - of an asset is acquired, whether by means of a purchase, barter, merger or by any other means; and the term "*asset*" shall also include securities or activities of a [different] corporation and shall include an intangible asset.
- (b) Notwithstanding the provisions of sub-sections (a) and (a1), a corporation may delay the submission of the immediate report regarding an event or matter as described in either of the said sub-sections, in whole or in part, if disclosure of the said information may prevent the completion of an action or transaction to which the corporation is a party or in which it has an interest, or could significantly worsen the terms [of such an action or transaction], provided that no information with regard to such event or matter has been made public by the corporation.. However, a corporation may not delay the submission of the aforesaid immediate report during the period commencing five days before the last date for converting convertible securities of the corporation; if submitting an immediate report is delayed by the corporation prior to the commencement of the aforesaid period, the corporation shall submit the details required pursuant to sub-sections (a) and (a1) no later than five days prior to the last date for converting the convertible securities.
- (c) Once the impediment to submitting an immediate report is removed, the corporation shall submit an immediate report about the event or the matter and shall also state therein the reason for the delay and the date and time that the impediment to submitting the report was removed.
- (d) If the submission of an immediate report regarding an event or matter is being delayed by the corporation pursuant to sub-section (b) and information regarding such event or matter is [nevertheless] made public, the corporation shall submit an immediate report about the event or the matter and reiterate therein the correctness of the information that has already been made public.
- (e) With regard to section 30(b), the date on which the impediment is removed as stated in sub-section (c) or the date when the information is first made

public as described in sub-section (d), whichever is relevant, shall be regarded as the date on which the corporation first learned of the event.

- (f) The provisions of this section shall not apply to an event or matter that is common knowledge, unless it has a special effect on the corporation's business.

Failure to achieve an objective for which the consideration received for securities had been designated

[Amended: 1985]

- 36A. If one or more of the objectives, the achievement of which had been described in a prospectus as the designated use of the consideration received for the securities offered [in the said prospectus], is [nevertheless] not achieved, or if it such an objective was not achieved within the timetable stated in such [prospectus], the corporation shall disclose this fact and provide a detailed explanation of the causes of such [failure].

Convening of a meeting

[Amended: 2003, 2004, 2006]

- 36B. (a) If a corporation meeting is convened, the corporation shall submit an immediate report in which the following details shall be provided:
- (1) The type of meeting;
 - (2) The place at which the meeting is being held;
 - (3) The date and time of the meeting;
 - (4) Details of the matters on the agenda; alongside each matter, [the report shall] provide a description of the nature of the matter, while specifying the main facts required to understand each matter requiring a vote at the meeting. The report shall also provide the text of each proposed resolution or a brief description of its main points;
 - (5) The place and times at which all draft resolutions can be examined if the full text was not included in the details of the agenda;
 - (6) The type of majority required for the adoption of a resolution regarding each of the matters on the agenda, in each case where the required majority is not a simple majority.
 - (7) The record date with respect to the entitlement of shareholders to participate and vote at the general meeting in accordance with section 182(b) of the Companies Law;
 - (8) If the meeting's agenda contains matters regarding which, pursuant to section 87 of the Companies Law, shareholders may vote by proxy – the immediate report will indicate the amount or value of shares, the holding of which constitutes the minimum percentage of all voting rights - if such a percentage is prescribed in

- regulations pursuant to section 89(3) of the Companies Law - for the purpose of [establishing an entitlement] to an exemption regarding the need to send out proxy forms and notices of position;
- (9) The legal quorum [whose presence is required] for holding the meeting;
- (10) If the agenda of the meeting includes a proposal to appoint a person to a directorship in the corporation, the [immediate report] shall provide the details set out in section 26 with regard to such person; however if the subject of the proposal is the extension of an acting director's tenure, the corporation may include the aforesaid details by means of reference to the last periodic report it has submitted, provided that no change has occurred in the details as they were reported for this purpose in the periodic report.
- (b) In this section, [the term] '*a corporation meeting*' – [shall mean] a general meeting, a class meeting, a meeting of option-holders, a meeting of debenture-holders or any other meeting of holders of the corporation's securities, excluding a meeting of a corporation's shareholders when the corporation's shares are not held by the public.
- (c) An immediate report prescribed by this section shall be filed on the day on which the date of the meeting and its agenda are decided upon.
- (d) If a meeting is postponed, an immediate report shall be submitted stating the meeting was postponed and providing the details listed in sub-section (a) regarding the postponed meeting; the said details may be provided by reference to the report [that was submitted] regarding the convening of the postponed meeting.
- (e) The provisions of this section shall not apply if an immediate report was submitted regarding the convening of a general meeting pursuant to the Securities Regulations (Transaction between a Company and a Controlling Shareholder Therein) - 2000 or pursuant to the Securities Regulations (Private Offering of Securities in a Listed Company) - 2000.

Voting by proxy and notices of position

[amended: 2003, 2004]

- 36C. The [immediate] report shall include the notices of position and proxy forms that are required to be filed with the ISA pursuant to section 89 of the Companies Law and the regulations enacted pursuant to it, [and which are required to be filed] on the dates prescribed in those regulations.

Results of meeting

[Amended: 2003, 2004]

- 36D (a) The [immediate] report shall present the resolutions of any general meeting described in the report in accordance with the provisions of section 36B.
- (b) If a meeting adopts a resolution for which the majority required by law was not a simple majority, the [immediate] report shall also indicate the following: the number of all the shares that participated in the vote, the number of shares that voted for the proposal and against it, and the percentage of these out of the total of all the shares included in the vote count, distinguishing between the controlling shareholders or anyone representing them and those [casting votes] who were not controlling shareholders or persons representing them, and making any other distinction between the shareholders that is [legally] required [to be made in terms of establishing that the proper majority has approved] the said resolution.

Recommendations and decisions of the directors

[Amended: 2002, 2003(2), 2006(2)]

37. (a) The [immediate report shall present] any directors' recommendations that were brought before the general meeting, and any directors' resolutions which do not require the approval of the general meeting at the time of their adoption, concerning the following:
- (1) A distribution of a dividend – along with an indication of the balance of the profits within the meaning thereof in section 302 of the Companies Law, before and after the distribution;
 - (1a) A distribution of bonus shares;
 - (2) A change in the corporation's registered or issued capital;
 - (3) An amendment of the corporation's memorandum or by-laws;
 - (4) A redemption of shares;
 - (5) An early redemption of debentures;
 - (6) A realization of a right that the corporation had reserved in a prospectus to change the [designated] objectives for which the consideration [received] for the securities that were offered was intended to be used, [or to change] the amounts required for achieving one or more of the [designated] objectives or [to change] the timetable for achieving one or more of the [designated] objectives;
 - (7) An extraordinary transaction between the corporation and a principal shareholder therein;

- (8) A first-time determination or amendment of the required minimal number of directors with accounting and financial expertise and the rationale for the [said] first-time determination or amendment, whichever is relevant.
- (b) (*Repealed*).
- (b1) The [immediate report shall present] any directors' recommendations that were brought before a special meeting.
- (c) (*Repealed*).

Company Resolutions

[Amended: 5763(2), 5766(2)]

37A. The report will provide details regarding the following company resolutions:

- (1) The approval of actions pursuant to section 255 of the Companies Law, with details of the name of the corporate officer [who was involved] and of his or her position [in the company], the date and details of the action, the date of the approval of the action, a description of the proceedings in which the action was approved and the reasons for its approval;
- (2) An action described in section 254(a) of the Companies Law that was not approved, whether it was presented for approval as described in section 255 of the Companies Law or not, as well as the name of the corporate officer [who was involved] and his or her position [in the company], the date and details of the action, the date of the resolution, a description of the proceedings that preceded the non-presentation for approval or the non-approval, and the reasons for this;
- (3) An extraordinary transaction that requires approval pursuant to section 270(1) of the Companies Law, and the corporation's contractual relationship with its general manager or with a party carrying out that function within the company even if his or her title is a different one, with regard to the terms of his or her service and employment; for this purpose, [the following terms shall have the meanings indicated alongside them]:

“extraordinary transaction” – as defined in section 1 of the Companies Law;

“general manager” – as defined in Chapter 4 of Part 3 of the Companies Law;

“terms of service and employment” – as defined in section 270 of the Companies Law;

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- (4) The provision of an indemnification in accordance with a permission [established in the corporation's by-laws] to grant indemnification, pursuant to section 260 of the Companies Law.
- (5) (a) Approval of a transaction or of a company's contractual relationship, given by the audit committee and the board of directors as provided in sections 270(3) or 270(4) of the Companies Law - 1999, which, in accordance with sections 1 to 1B of the Easements Regulations, does not require the approval of a general meeting as well as details pertaining to:
- (1) The main points of the transaction or the contractual relationship;
 - (2) A summary of the board of directors' and the audit committee's arguments in favor of approving the transaction or the contractual relationship.
 - (3) The right of shareholders to object to the extension of the easement as detailed in section 1C of the Easements Regulations;
- (b) If a government owned company has entered into a contract regarding an extraordinary transaction as described in section 270(4) of the Companies Law 1999 which, in accordance with the section 2 of the Easements Regulations, does not require the approval of the general meeting, the company shall submit an immediate report which will provide details regarding:
- (1) The main points of the contractual relationship;
 - (2) If the contract was given an exemption, as described in subsection 2(2)(a) of the Easements Regulations, the main points of the opinion issued by the Companies Authority and the main points of the opinion issued by the Ministerial Committee for Privatization;
 - (3) If the contract was given an exemption, as described in subsection 2(2)(b) of the Easements Regulations, the alternative in accordance with which the exemption was issued.
- (c) In this section, [the term] "**Easements Regulations**" [shall mean] the Companies Regulations (Easements in Transactions with Principal Shareholders) - 2000;
- (6) Particulars regarding a transaction with a controlling shareholder or [one] in the approval of which a controlling shareholder has a personal interest, including the main points of the transaction or contractual relationship, the particulars of the [corporate] organ that approved the transaction and a

summary of its reasons for the approval; in this paragraph, [the term] “transaction” shall exclude a transaction of a type regarding which it has been established in the last financial statements that transactions of such type are negligible.

Transaction involving the subject of a valuation

[Amended: 2006(2)]

37A1. If, during the two years following the time at which a corporation first attached a valuation – including a professional opinion - to its report, the corporation has carried out a transaction from which may be derived a valuation that is substantially different from the value which was established in the valuation, the corporation shall submit an immediate report which will provide details regarding the variance between the value derived from the transaction and the value established in the valuation, while providing explanations for such variance.

Duty to update

[Amended: 2006(2)]

- 37A2. (a) If a corporation has submitted a report (hereinafter – the original report) pertaining to an event or matter (hereinafter– a possible event or matter) that could occur at a date later than the one stated in the report, the corporation must submit a report pertaining to all significant developments that occurred with respect to the possible event or matter; if the original report states the anticipated date for a possible event or matter, the corporation must submit an immediate report pertaining to the situation regarding the possible event or matter, as of the [said] anticipated date.
- (b) A report which is [required to be] submitted in accordance with sub-section (a) shall be submitted on the dates provided pursuant to section 30; however, [with respect to the] definition [of the term] ‘*If the corporation first learns of an event*’ in the said sub-section, the phrase “of the occurrence of the event” shall be read as [if it were worded] as follows: “of the occurrence or non-occurrence of the event.”
- (c) This section shall [also] apply to situations in which, at the outset, there had been no obligation to submit the original report.

Compensation to principal shareholders and to senior corporate officers

37A3. If a corporation is required to submit a report in accordance with the provisions of this chapter regarding a contractual relationship with a principal shareholder or senior corporate officer, [which relationship consists of] an employment agreement [with the corporation] or an agreement for the provision of services to the corporation or a corporation that it controls, including [a contractual relationship] that consists of an extension or modification of an existing agreement, the report shall provide the particulars regarding the contractual relationship with each principal shareholder and each senior corporate officer separately. [The particulars to be provided shall be those] specified in the Sixth Schedule, as well as any other significant detail which would be important to a reasonable investor.

Chapter C1:

Merger

[amended: 5764]

Part A:

General Provisions

Definitions

(amended: 2004)

37B. In this chapter [the following terms shall be defined as indicated below] -
'*General meeting*,' '*stock exchange*,' '*surviving company*,' '*target company*,' '*merging company*,' '*personal interest*' – as defined in the Companies Law;
'*Controlling shareholder*' - as defined in section 268 of the Companies Law;
'*Merger report*' – a report in accordance with this chapter;
'*Business day*' - a day on which most banks in Israel are open to the public;
'*Controlled company*' - as defined in the Financial Statements Regulations;
'*Securities*' - other than for the purpose of section 37G, shares or securities that can be converted into or realized as shares, including rights to [either of] these;
'*Consideration*' - the consideration paid to shareholders of the target company;
'*Certificates of indebtedness*' - non-convertible certificates that the company issues in a series and that grant a right to claim money from [the company] on a fixed date or when a certain condition is fulfilled, and that do not grant a right of membership or participation in the company, including commercial paper.

Significance of the merger

(Amended: 2004)

- 37C. (a) It is a *prima facie* presumption that a merger is significant if one of the following applies to it:
- (1) The profit of the target company in the last year or in the subsequent cumulative interim period[s], according to its last

- financial statements, constitutes twenty per cent or more of the profit of the surviving company - the said amounts having been calculated in their absolute value;
- (2) If the consideration was in assets or certificates of indebtedness - the total investment, as shall be recorded in the books of the surviving company, including capital funds if any are created, constitutes twenty per cent or more of the total equity of the surviving company, according to its last financial statements;
 - (3) If the consideration was in securities of the surviving company - such securities grant twenty per cent or more of the total of all the rights in the capital of the surviving company, except for dormant shares and before the allotment of these securities; for this purpose, securities that are convertible into or realizable as shares of the surviving company and which constitute a part of the consideration shall be regarded as if they had [already] been converted or realized;
 - (4) If the consideration was a combination of the types of consideration described in paragraphs (2) and (3) — the numerical sum of the results of those paragraphs is twenty per cent or more;
 - (5) The sum total of all the assets of the target company or of its assets less its equity, whichever is higher, constitutes twenty per cent or more of the total of all the assets of the surviving company or of its assets less its equity, whichever is relevant, according to their last financial statements; [in making these calculations,] the reciprocal balances between the merging companies shall be deducted from the total of all the assets.
- (b) A merger to which the provisions of sub-section (a) do not apply is a merger that is not significant.
- (c) In this section -
‘Last financial statements’ – shall mean the last interim financial statements or last annual financial statements, as described in section 6(a) of the Companies Regulations (Merger) - 2000, whichever are later; if all the merging companies are reporting corporations — [the term shall refer to] the last interim financial statements or last annual financial statements, whichever are later, which, on the date of the publication of the merger report, had been published or were required to be published in accordance with these regulations;
‘Profit’ - shall mean profit within the meaning thereof in paragraph (3) of section 46(a) of the Financial Statements Regulations, with the addition of the items listed in paragraph (4) therein, and with the deduction of the items listed in paragraph (5) therein, and without the addition of the items listed in paragraphs (6) to (8) therein.

Report by a surviving company

(amended: 2004)

- 37D. (a) If the board of directors of a surviving company which is a reporting corporation approves a significant merger, the company shall file a report pursuant to the provisions of section 37F, on the date prescribed in section 317 of the Companies Law.
- (b) If the board of directors of a surviving company which is a reporting corporation approves a merger that is not [a] significant [merger], the company shall file a report pursuant to section 37P, on the date prescribed in section 317 of the Companies Law.

Report by a target company

(Amended: 2004)

- 37E. (a) If the boards of directors of the merging companies approve a merger in which a target company is a reporting corporation whose certificates of indebtedness were offered under a prospectus and will be held by the public following the merger, or whose certificates of indebtedness are listed for trading, the target company shall file, within fourteen days of the date on which the board of directors approved the merger, a report which shall include the following:
- (1) Details described in section 37F;
 - (2) Details regarding the surviving company according to the provisions of sections 37F (a)(11) - (12) and 37O, and where the language of those sections refers to the '*target company*,' it shall be read as referring to the '*surviving company*';
- (b) If the surviving company in a merger is not a reporting corporation such as is described in sub-section (a), the surviving company will be subject to the same reporting requirement to which the target company was subject under the Law prior to the merger, and the report shall indicate this obligation.
- (c) If the surviving company in a merger is a reporting corporation such as is described in sub-section (a), its merger reports and those of the target company can be filed as joint reports and signed by both of them; the joint report shall be filed on the date prescribed in sub-section (a).

Part B:
Significant Merger

Report of a significant merger

(Amended: 2004)

- 37F. (a) A report of a significant merger shall contain all details pertaining to the merger which might be of importance to a reasonable investor, including:
- (1) The names of the parties to the merger;
 - (2) A description of the contents of the merger agreement;
 - (3) The tax ramifications of the merger for the surviving company;
 - (4) The amount[s] and percentage[s] of the holdings of the principal shareholders in the surviving company, with regard to the issued and paid-up capital and the voting rights -
 - (a) Prior to the merger;
 - (b) Following the merger;
 - (c) Following the merger - on the assumption that all the securities that are convertible into or realizable as shares of the company are converted and realized;
 - (5) The position of the board of directors regarding the issue of whether there is a reasonable concern that, as the result of the merger, the surviving company will not be able to pay its liabilities to its creditors following the merger;
 - (6) Whether or not the approvals required for the merger or the conditions prescribed for its implementation were received or met, [whichever is relevant] and if not, the date on which they are to be received or met, [whichever is relevant];
 - (7) New restrictions that exist or that are expected, to the best of the company's knowledge, to apply to the surviving company as a result of the merger, including:
 - (a) A demand by creditors for payment of loans;
 - (b) Restrictions on the creation of liens;
 - (c) Changes in the company's credit rating;
 - (8) The name of each director and controlling shareholder who has a personal interest in the merger, and the nature of that interest;
 - (9) The plans of the surviving company, if any, with regard to securities which are convertible or realizable as shares of the target company;
 - (10) The consideration as described in sections 37G to 37L;
 - (11) The financial statements of the target company as described in sections 37M to 37O;
 - (12) A description of the target company during the period commencing two years before January 1 of the year in which the merger report is filed, and concluding just before the date of the report's filing, in accordance with the details listed in the Schedule of the Securities

- Regulations (Private Offering of Securities in a Listed Company), 2000 (hereinafter - the Schedule of the Offering Regulations), in so far as any matter set out therein concerns the target company and is significant to the business or activity of the target company;
- (13) The plans of the surviving company for [the company] following the merger, in so far as they have been formulated, including plans for integration of activities, sale of assets, release of employees and reorganization;
 - (14) The fact that the merger requires approval under section 320(c) or (d) of the Companies Law [if such is the case], the terms of the approval required under the said law and the [applicable] facts because of which it is required, as well as the names of the shareholders of the surviving company and of the target company, along with the percentages represented by their holdings;
 - (15) The board of directors' main reasons for approving the merger;
 - (16) The place and time for convening a general meeting [that will vote on approving the merger], as well as the quorum and majority required for the approval of the merger at such meeting or at a postponed general meeting [if such meeting is postponed].
- (b) The merger report shall be signed by the company filing the report, and shall indicate the names of the signatories and their positions within the company; if the report is filed as a joint report as prescribed in section 37E(c) - the report shall indicate the names of the signatories on behalf of each of the companies and their positions within the companies.
 - (c) The notice to be published regarding the convening of a general meeting for the approval of the significant merger, shall include the details included in sub-sections (a)(1), (14) and (15), the main terms of the merger agreement and the record date for determining the right of shareholders to vote at the general meeting, as provided in section 182 of the Companies Law.

Consideration consisting of securities of the surviving company

(amended: 2004)

37G. If the consideration consists, either in whole or in part, of securities of the surviving company, details shall be provided in the merger report of the terms of the securities that it is proposed will be issued, their quantity and the percentage that they constitute of the voting rights and of the issued and paid-up capital of the company after the merger and after full dilution; if the proposed securities are –

- (1) shares - details shall be provided of the average price of the share in the six months preceding the date of publishing the report, taking into account any distribution, split or issue of rights; the share price just before the decision of the board of directors concerning the proposal; and the price just before publication of the report;

- (2) options - details shall be provided of the price of the option, whether options from that series are listed for trading on a stock exchange, and the price of the share [to which the options refer], just before the decision of the board of directors concerning the proposal and also just before publication of the report;
- (3) securities that are convertible into shares — details shall be provided of their average price in the three months preceding the date of the report's publication and of their price just before the report's publication, all of which are to be provided if securities in that series are listed for trading on the stock exchange;
- (4) in a series of securities that are listed for trading on a stock exchange - details shall be provided of the ratio, as a percentages, between the price of the securities being offered [in the context of the merger] and the stock exchange price of securities from the same series just before the publication of the report.

Consideration consisting of cash

(Amended: 2004)

- 37H. If the consideration consists of cash, either in whole or in part, the merger report shall provide details regarding the amount of the said consideration, the dates for the payment thereof and the terms of the payment.

Consideration consisting of a waiver of a liability

(Amended: 2004)

- 37I. If the consideration consists, either in whole or in part, of a waiver of a liability, the details of the liability and of the waiver shall be provided in the merger report.

Consideration consisting of the securities or of an activity of a[nother] corporation

(Amended: 2004)

- 37J. (a) If the consideration consists, either in whole or in part, of securities of a corporation or of a transfer of the main activity of a[nother] corporation which is a controlled company, and the said consideration constitutes a significant part of the surviving company, the merger report shall include a description of the [controlled] corporation as prescribed in section 37F(a)(12) and wherever the language of that section refers to 'the target company,' it shall be read as referring to 'the corporation.' The merger report shall also include the [controlled] corporation's financial statements as prescribed in section 37M, except for the requirement regarding the inclusion of the information described in section 37N.
- (b) If the [controlled] corporation is a reporting corporation, the provisions of section 37O shall apply, *mutatis mutandis*.

- (c) If the consideration consists, either in whole or in part, of securities of a corporation which is not a controlled company and the said consideration as constitutes a significant part of the surviving company, the merger report shall include all the details indicated in sub-sections (a) and (b), but if these details are not in the possession of the surviving company notwithstanding efforts that it has made to obtain them, the merger report shall include every detail that is in the possession of the surviving company concerning the said corporation.

Consideration consisting of another asset

(Amended: 2004)

- 37K. (a) If the consideration consists, either in whole or in part, of a transfer of the activity of a corporation which does not amount to its main activity, and the said consideration constitutes a significant part of the surviving company, the merger report shall include a description of the activity as set out in the first part of the Schedule to the Offering Regulations, in so far as each matter set out therein concerns the corporation and is significant to the corporation's business or activity; the description shall be provided with regard to the period beginning two years before January 1 of the year in which the merger report is filed, and concluding just before the date of the merger report's filing.
- (b) If the consideration consists, either in whole or in part, of assets which do not comply with the conditions prescribed in section 37J or in sub-section (a), the merger report shall include a description of the asset, including the rights and liabilities accompanying it or involved in transferring it.

Professional opinion

(Amended: 2004)

- 37L. (a) If the value of the consideration was also determined on the basis of a professional opinion, the opinion shall be included in the report.
- (b) The opinion shall contain, *inter alia*, the following items:
- (1) A personal signature of the person giving the opinion, stating his or her name and the date of the signature;
 - (2) The prior consent of the person giving the opinion to its inclusion in the merger report;
 - (3) If an undertaking was given to indemnify the person giving the opinion with respect to [any liability arising from] his or her opinion, this fact shall be stated and details shall be provided of the terms of the indemnification and regarding the identity of the person giving the indemnity;

- (4) The date as of which the value of the consideration which was determined in the opinion is correct (hereinafter - the validity date);
 - (5) Details of the facts, assumptions, calculations and forecasts on which the person giving the opinion relied, the [appraisal] method that was used in the opinion, and the [opinion-giver's] reasons for choosing such method.
- (c) If the opinion does not include the details listed in sub-section (b)(5), the company shall complete them in the merger report.
- (d) If the validity date preceded the date of the resolution concerning the merger by more than ninety days, the report shall state that fact, along with the following details:
- (1) The period of time that has passed from the validity date until the date of the resolution concerning the merger;
 - (2) [Any] changes that occurred after the validity date which could change the value of the consideration that was determined in the opinion, and the board of directors' reasons for relying on the opinion notwithstanding these changes.
- (e) If the validity date preceded the date set for the convening of a general meeting [regarding the merger] by more than ninety days, [the merger report shall] specify any changes such as are described in sub-section (d)(2) [above], [which have occurred] between the validity date until the date of the merger report's filing.

Financial statements

(Amended: 2004)

- 37M. The merger report shall include the financial statements of the target company according to the provisions of sections 56(a), (b), (c) and (d) of the Securities Law Regulations (Details, Structure and Form of Prospectus) - 1969, but wherever the language of those sections refers to the "date of the prospectus" it shall be read as referring to the "date of the merger report." The following provisions shall apply as well:
- (1) Annual financial statements shall be prepared in accordance with the Financial Statements Regulations, and interim financial statements shall be prepared in accordance with these regulations;
 - (2) The financial statements shall be audited or reviewed, whichever is relevant, in accordance with accepted auditing standards in Israel, and they shall be prepared in accordance with the accounting rules that apply to a reporting corporation;
 - (3) An auditing accountant's report or a review report, whichever is relevant, shall be included in the merger report, and these shall state that the financial statements comply with the provisions of paragraphs (1) and (2),

and that the person providing them has agreed in advance to their inclusion in the report.

Pro forma information

(Amended: 2004)

- 37N. (a) If the financial statements include a note which contains pro forma figures (hereinafter — the pro forma note)[, the following shall apply]:
- (1) A preliminary paragraph shall be added to the note, stating the following:
 - (a) The main points of the merger transaction;
 - (b) The names of the merging companies;
 - (c) The periods for which the pro forma data are presented;
 - (d) Assumptions on the basis of which the pro forma note was prepared;
 - (2) The pro forma note shall be presented in a column format, setting out the merging companies' historical data, the pro forma adjustments, and the pro forma results;
 - (3) An explanation shall be provided for the adjustments that appear in the pro forma adjustments column.
- (b) If the financial statements do not include a pro forma note that relates to each of the periods appearing in the profit and loss statements included in the financial statements, the financial statements shall provide the following details:
- (1) The main points of the merger transaction;
 - (2) The names of the merging companies;
 - (3) Details of the transactions between the merging companies during the said periods;
 - (4) A description of the aggregated value (synergy) of their activities;
 - (5) A description of the plans of the merging companies for integrating their activities, stating the estimated effect of implementing these plans with respect to the surviving company's profitability.
- (c) If pro forma information concerning the merger is included in the financial statements of the surviving company only, and not in the statements of the target company, the financial statements of the surviving company shall also be attached to the merger report; if the surviving company is a reporting corporation, the said inclusion may be by way of reference, provided that the financial statements which are included by way of reference include the pro forma information listed in sub-sections (a) or (b)[, whichever is relevant].

Target company which is a reporting corporation

(Amended: 2004)

- 37O. If the target company is a reporting corporation, the merger reports shall be deemed to be in compliance with the requirement[s] of sections 37F (a)(11) and (12) if they include the following:
- (1) The target company's periodic report as required under these regulations, for the last year ending before the date of the merger report's publication, [and] the interim financial statements and immediate reports published after the date of the said periodic report; the said reports may be included by way of reference, provided that the said financial statements include the information listed in section 37N;
 - (2) A description of the target company as described in part one of the Schedule of the Offering Regulations.

Part C:**A merger that is not significant****Report of a merger that is not significant**

(Amended: 2004)

- 37P. (a) A report of a merger that is not significant shall provide details of:
- (1) The names of the parties to the merger
 - (2) The main points of the merger agreement;
 - (3) The tax ramifications of the merger for the surviving company;
 - (4) The amount[s] and percentages of the holdings of the principal shareholders in the surviving company, with regard to the issued and paid-up capital and the voting rights –
 - (a) Prior to the merger;
 - (b) Following the merger;
 - (c) Following the merger, on the assumption that all the securities that are convertible into or realizable as shares of the company have been converted or realized;
 - (5) Details of the consideration; if the consideration consists of an asset which is not cash, details shall be provided of the main facts concerning the asset; if the consideration consists of securities of the surviving company, details shall be provided of their terms, quantity and the percentage that they constitute of the voting rights and of the issued and paid-up capital of the company after the merger, and after full dilution;

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- (6) The position of the board of directors regarding the issue of whether there is a reasonable concern that, as a result of the merger, the surviving company will not be able to pay its liabilities to its creditors following the merger;
 - (7) Whether or not the approvals required for the merger or conditions prescribed for its implementation were acquired or met, [whichever is relevant] and if not, the date on which they are to be acquired or met, [whichever is relevant];
 - (8) New restrictions that exist or that are expected to apply, to the best of the company's knowledge, to the surviving company as a result of the merger, including:
 - (a) A demand by creditors for payment of loans;
 - (b) Restrictions on the creation of liens;
 - (c) The company's credit rating;
 - (9) The name of each director, controlling shareholder and principal shareholder who has a personal interest in the merger, and the nature of that interest;
 - (10) The fact that the merger requires approval under section 320(c) or (d) of the Companies Law [if such is the case], the terms of the required approval under the said law and the facts because of which it is required, as well the names of the shareholders of the surviving company and of the target company, along with the percentages represented by their holdings;
 - (11) The plans of the surviving company, if any, with regard to securities which are convertible into or realizable as shares of the target company;
 - (12) The reasons why the merger is not significant, if one or more of the conditions in section 37B(a) apply;
 - (13) The board of directors' main reasons for approving the merger;
 - (14) The place and time for convening the general meeting, [that will vote on approving the merger], as well as the quorum and majority required for the approval of the merger at such meeting or at a postponed general meeting [if such meeting is postponed].
- (b) The merger report shall be signed by the company filing the report, and shall indicate the names of the signatories and their positions within the company.

- (c) The notice to be published regarding the convening of a general meeting for the approval of a merger that is not significant shall include the details listed in sub-sections (a)(1), (2), (10) and (13) and the record date for determining the right of shareholders to vote at the general meeting, as stated in section 182 of the Companies Law.

Part D:

Miscellaneous Provisions

Reporting under another law

(Amended: 2004)

- 37Q. (a) If the merger is subject to the Securities Law Regulations (Private Offering of Securities in a Listed Company), 2000 (hereinafter — Private Offering Regulations), or the Securities Law Regulations (Transaction between a Company and a Controlling Shareholder Therein), 2001 (hereinafter — the Transaction with a Controlling Shareholder Regulations), or if there is a requirement that a prospectus be published, no report shall be filed pursuant to these regulations; however, the details specified in these regulations shall be included in the report or prospectus submitted pursuant to the Private Offering Regulations or in the report or prospectus submitted pursuant to the Transaction with a Controlling Shareholder Regulations, whichever is relevant.
- (b) Nothing in the provisions of this chapter shall derogate from the requirement to file an immediate report pursuant to section 36, if an obligation to do so has arisen pursuant to the said section.

Liquidation of a target company without a winding-up pursuant to a court order

(Amended: 2004)

- 37R. In the event of the target company's liquidation without a winding-up, pursuant to section 351(a)(4) of the Companies Law, the provisions of these regulations shall apply, *mutatis mutandis*, and the merger report shall be filed within two business days following the date on which the application under section 350 of the Companies Law was first submitted to the court.

Immediate report of the results of the meeting

(Amended: 2004)

- 37S. No later than one business day after a general meeting that was held in order to approve a merger, the [relevant] reporting corporation must file an immediate report concerning the results of the vote at the meeting.

Chapter D:
Quarterly reports
[Amended: 1989(2), 2004(3)]

Definition

[Amended: 1989, 2004(3)]

38. In this chapter[, the following terms shall have the meanings indicated alongside them]:

'interim report' or 'report' - interim financial statements.

'quarterly report' – a report for a period of a quarter.

Content of a quarterly report

[Amended: 2004(3)]

38A. A quarterly report shall include the following: interim financial statements, a directors' report for the interim period and any other information required pursuant to this chapter.

Pro-forma data

38b. (a) If a pro-forma event has occurred during the quarter, after the balance sheet date in the interim report and up to the date of the approval of the interim financial statements, or if it is nearly certain that a pro-forma event will be completed during the three-month period following the date of the approval of the interim financial statements, provided that the completion [of such event] is not dependent on [the fulfillment of any] substantive conditions, the corporation will, in the framework of the quarterly report, publish, *mutatis mutandis*, a pro-forma report as described in section 9a.

(a1) Notwithstanding the provisions of sub-regulation (a), if a pro-forma event takes place after the balance sheet date and up to the date of the approval of the financial statements, or if it is virtually certain that the pro-forma event will be completed during the three months following the date of the approval and the completion does not involve [the fulfillment of any] material conditions, the corporation may publish a pro-forma statement in an immediate report [to be published] within 90 days from the date of the pro-forma event or of its completion, whichever is relevant, or in the context of the periodic or quarterly report for the period in which the pro-forma event took place, whichever is earlier.

(b) For the purpose of sub-regulation (a) –

- (1) The presumptions listed in [sub-]paragraph (1) of the definition of a “pro-forma event” will be understood as having had the following presumption added to them: the acquired corporation’s profits or the acquired activity’s performance during the aggregate period from the end of the last reporting year until the end of the interim period, which can be attributed to the corporation due to its holding of the capital of the acquired corporation or of the acquired activity, respectively, represent, in their absolute value, thirty percent or more of the corporation’s profits which are attributed to the owners of the capital rights therein, during the same period, in their absolute value, according to the corporation’s and the acquired corporation’s last interim financial statements, respectively;
- (2) A sale will be considered to be a substantial sale for the purpose of [sub-] paragraph (2) of the definition of a “pro-forma event” if the provisions of paragraph (1) [of this sub-section] apply, *mutatis mutandis*, with regard to such sale.
- (c) The provisions of sections 9a(b) through (e) will apply, *mutatis mutandis*, to the report [to be submitted] pursuant to sub-section (a).

Date for filing quarterly reports

[Amended: 2004(3)]

39. (a) The corporation shall file a quarterly report with the ISA within two months of the report date, provided that the quarterly report is filed within three days of the date on which the corporation’s accountant signed the review report relating to the interim financial statements.
- (b) The date of the signing of the quarterly report shall not precede by more than three days the date on which it is filed with the ISA and the stock exchange.

Updating of information included in the periodic report

[Amended: 2004(3), 2006]

- 39A. A quarterly report shall include every significant change or innovation that occurred regarding the corporation’s business with regard to any matter that is required to be described in the periodic report.

Principles of report preparation

(Amended: 1996, 2006)

40. (a) An interim report shall be prepared in accordance with accepted accounting principles for interim period financial statements.
- (a1) The currency of the intermediate statements shall be as prescribed in section 4 of the Financial Statements Regulations;

- (b) Items in an interim report shall be sorted into categories and presented in accordance with the Financial Statements Regulations.
- (c) The interim report shall include the balance sheet as of the report date.
- (d) A profit and loss statement, report of changes in equity and a cash flow report shall be included -
 - (1) In an interim report for the first quarter - for the first quarter;
 - (2) In an interim report for the second quarter - for the second quarter and for the period of six months ending on the report date for the second quarter;
 - (3) In an interim report for the third quarter - for the third quarter and for the period of nine months ending on the report date for the third quarter.

Interim financial statements of a foreign issuer

[Amended: 2004 (2)]

- 40A. (a) Notwithstanding the provisions of section 40(a), the interim financial statements of a foreign issuer may be prepared in accordance with international accounting standards or in accordance with accepted accounting principles in the United States.
- (b) The following provisions shall apply with regard to interim financial statements of a foreign issuer that are prepared in accordance with international accounting standards or accepted accounting rules in the United States:
- (1) The statements shall include a note regarding the adjustment for accepted accounting rules; for this purpose, "*adjustment*" - to profit and to equity;
 - (2) The statements may be written in a language other than Hebrew, provided that they include a translation into Hebrew alongside them and a confirmation from the translator of the accuracy of the translation and of his or her agreement to the inclusion of the translation and the confirmation in the statements;
 - (3) If the currency in which the statements are prepared is not the Shekel, the statements shall be presented in shekel values; if a translation into Hebrew is attached to the statements under paragraph (2), it shall also include Shekel values;
 - (4) The auditor's review report shall indicate the accounting rules according to which the financial statements were prepared and the auditing standards in accordance with which the interim financial statements were reviewed;
 - (5) The auditor's review report may be in a language other than Hebrew, provided that it includes a translation into Hebrew alongside it and a confirmation from the translator of the accuracy of the translation and of his or her agreement to the inclusion of the translation and the confirmation in the statements;

- (6) The auditor or accountant shall state that nothing has come to his or her attention to indicate that the financial statements were prepared other than in accordance with the provisions of these regulations.

Comparative statements

(Amended: 1997)

41. (a) Alongside every amount in the balance sheet, the corresponding amount from the balance sheet of the corresponding quarter in the [previous] reporting year and for the whole of the reporting year shall be presented.
- (b) In the sections of the statements listed in section 40(d), alongside every amount, the corresponding amount in the corresponding periods in the [previous] reporting year and the whole of the [previous] reporting year shall be presented.

Required details

(Amended: 1997)

42. (a) An interim report shall include these details:
 - (1) If, during the reporting period, a[ny] change[s are] made in the accounting rules or in the manner of applying them, as compared with a previous reporting period whose data are included in the statements - excluding such a change which can [only] be reflected through a restatement - the report shall explain each such change, and provide the reasons for the change and an indication of its quantitative impact on the pre-income tax profit, its net profit, its profit per share and other items in the statements, for every quarter since the end of the reporting year;
 - (2) The interim report shall explain the nature of any restatement of data contained therein, and provide the reasons for such restatement and an indication of its quantitative effect on each of the items that are restated in the statements, [and] on the net profit and on the profit per share for each of the quarters whose data are included in the interim report; this sub-paragraph shall not apply to a specification that was provided in a previous interim report;
 - (3) If an accounting estimate is changed in the quarter, and the change has an effect on the [financial] statement[s] or on the financial statements in the following quarter or quarters in the accounting year, the interim report shall explain the nature of the change, and provide the reasons for the change and an indication of its quantitative effect on the items in the balance sheet and on the profit and loss statement, including on the profit per share;
 - (4) Any amount that has been restated or reclassified shall be highlighted.

- (b) These details shall be provided in separate notes; there is no requirement to include in the report any details that are not, under the circumstances, significant.

Bank, insurer or credit card company

[Amended: 2006]

43. The provisions of sections 9A, 38B, 40, 40A, 41, 42, 44, 45, 48 and 49 shall not apply to a corporation that is a banking corporation, a credit card company or an insurer, and any of these will prepare their interim reports in accordance with the provisions and guidelines of the Supervisor of Banks or of the Insurance Commissioner, whichever is relevant.

Attachment of the financial statements of an included company

(Amended: 2003)

44. (a) The terms in this section that are not defined in these regulations shall be interpreted in accordance with their definitions in section 23 of the Financial Statements Regulations.
- (b) If any one of the following conditions apply, the interim report of any included company shall be included in the corporation's report for the same quarter, as prescribed in sub-sections (e) to (j):
- (1) The amount in the balance sheet that represents the investment of the corporation in the included company, in accordance with section 22 of the Financial Statements Regulations, constitutes, in its absolute value, ten per cent or more of the total assets in the absolute value of the corporation's balance sheet;
 - (2) The amount that was included, in accordance with section 46(a)(4) of the Financial Statements Regulations, in the [corporation's] profit and loss statement with regard to the cumulative interim period because of the corporation's investment in the included company constitutes, in its absolute value, ten per cent or more of the absolute value of the corporation's profit for that period;
 - (3) The included company is of significant importance for the corporation's business or for its activity, within the framework of either the business' or activity's existing format or that of their future planned formats;
 - (4) It is anticipated that in the annual financial statements for the year in which the quarter was included, the conditions stated in paragraphs (1) or (2) will [also] be fulfilled, *mutatis mutandis*.
 - (5) The [included] company became the corporation's included company only after the report date, and the provisions of paragraph (3) apply.

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- (c) If any one of the following conditions apply, then notwithstanding the provisions of sub-section (b), the interim report of an included company shall not be included in the corporation's report, [for the same quarter].
- (1) The interim report of the included company is insignificant in relation to the corporation's report;
 - (2) The provisions of paragraphs (3) to (5) of sub-section (b) do not apply, and the provisions of paragraphs (1) or (2) of sub-section (b) do not apply, *mutatis mutandis*, with respect to the reporting year;
 - (3) The company ceased to be the corporation's included company at some time after the report date.
- (d) The corporation's report shall indicate the names of the included companies whose interim reports are attached thereto; if an interim report of an included company is not attached due to the provisions of sub-section (c), the [corporation's] report shall indicate the name of the said included company, as well as the paragraph of sub-section (c) on account of which the said included company's report was not attached.
- (e) An interim report of an included company which is attached [to its parent corporation's report] shall be prepared in accordance with the provisions of this chapter, or in accordance with international accounting standards - depending on the accounting rules according to which the [parent] corporation included its investment in the included company; in this sub-section, the term '*the provisions of this chapter*' shall be interpreted as excluding the duty, prescribed in this section, to attach the interim report of an included company and as excluding the duty, prescribed in section 45, to attach an interim report of a guaranteed company.
- (f) Notwithstanding the provisions of sub-section (e), with regard to the format of the inclusion, it is permitted to attach an interim report of an included company that has been prepared in accordance with foreign accounting rules, provided that the provisions of section 23(f) of the Financial Statements Regulations are met, *mutatis mutandis*.
- (g) If the attachment of an interim report of an included company was not preceded by the attachment of its annual financial statements, the interim report of the included company shall also include a note explaining the accounting policy that was implemented in [the included company's] last annual financial statements.
- (h) Notwithstanding the provisions of sub-section (e), if the currency of a report of an included company is not the Shekel, the report shall indicate the exchange rate of currency which is used in the report against the new shekel as of the balance sheet date, as well as the [overall] change that such exchange rate underwent during the reporting period.

- (i) An accountant's review report shall be attached to [any attached] interim report of an included company.
- (j) If the report of an included company was not written in either Hebrew or English, a translation of the report into Hebrew shall be attached, along with the translator's confirmation of the accuracy of the translation, which shall include his or her consent regarding the attachment of the translation and of the said confirmation; if those reports that were translated into Hebrew are properly signed, it is not necessary to attach the reports in the original language; for this purpose, the term "report" shall include the accountant's review report.
- (k) If the Chairman of the ISA is persuaded that on the date of the submission of a particular corporation's report, it was unable to attach an interim report of a company to which the provisions of sub-section (b)(5) apply, the Chairman may order the corporation to publish that company's interim report in an immediate report, by a date that the Chairman shall determine.
- (l) The provisions of this section shall not apply to an included company which is itself a reporting corporation, or to such a company which is subject to the provisions of Chapter 5C of the Law.

Attachment of statements of a company for which an unlimited guarantee has been given

[Amended: 1997, 2004(3)]

45. (a) If the financial statements of a guaranteed company, within the meaning of that term under sub-paragraphs (b) or (d) of section 36(b)(2) of the Financial Statements Regulations, are included in the corporation's annual financial statements, an interim report of the guaranteed company for the same quarter shall be included in the corporation's interim report, prepared in accordance with the provisions of this chapter; if the guarantee has expired, or if the provisions of subparagraph (b) or (d) of section 36(b)(2) of the Financial Statements Regulations no longer apply, the corporation will no longer be required to attach the said reports, provided that the corporation's reports include a note indicating that [the requirement to attach the guaranteed company's reports no longer applies].
- (b) The ISA may exempt a corporation from attaching [the financial] statements of a guaranteed company as would [otherwise be required] pursuant to sub-section (a), and it may condition the granting of the said exemption on the corporation having noted [certain] details pertaining to the guaranteed company.

Signing of the report

[Amended: 2003(2)]

46. The report shall be signed on behalf of the corporation by the chairman of the board of directors, the general manager and the most senior corporate officer who deals with finance, or by a director authorized by the board of directors to sign the report for a particular date in place of any one of the said persons, [in which case] the provisions of section 5 shall apply.

Accountant's review

(Amended: 2007(2))

47. (a) An accountant's review shall be included in the interim report, and it shall confirm that the said report was prepared in accordance with these regulations.
- (b) The accountant shall confirm the preparation of the review with his or her signature and shall indicate the date of the signature alongside his or her signature.
- (c)⁶ Financial statements for the year prior to the transitional year shall also be presented, along with a note as is required in accordance with accounting rules, with regard to the initial adoption of the international accounting standards [IFRS];
For the purpose of this regulation, [the following terms shall have the meanings indicated alongside them]:
"Accounting rules" – within the meaning thereof under the Financial Statements Regulations;
"Transitional year" – within the meaning thereof under section 59 of the Securities Law Regulations (Details, Structure and Form of Prospectus) (Temporary Provisions) - 2006.

Directors' Report for the Interim Period

[Amended: 2006, 2007]

48. (a) A directors' report for the interim period shall also be attached to the interim financial statements, and it shall contain explanations of those events and changes regarding the condition of the corporation's business which took place during the interim period and in the cumulative period from the end of the last reporting year until the report date, and which [also] had a very significant effect on the data in the interim financial statements and on the data included in the description of the company's business. The directors' report for the interim period shall also include

⁶ Sub-section (c) will be read as a part of section 47 only if the "transitional year" precedes 2008 and the first report prepared pursuant to the international accounting standards is an interim report.

details regarding exposure to market risks and regarding the methods that are being used to manage them.⁷

- (b) The scope of the directors' report for an interim period shall be limited and it shall be prepared on the assumption that the reader is also aware of the directors' report for the last reporting year, and that it is not necessary to repeat what has already been included in that report; an interim period directors' report which is submitted by a corporation that has offered securities to the public for the first time and has not yet published a[n]y previous] directors' report shall be prepared on the assumption that the reader is also aware of the content of the prospectus.
- (c) An interim period directors' report shall be prepared in accordance with the following provisions:
- (1) The explanations shall relate to each of the matters specified under section 10(b)(1).
 - (2) The explanations shall include comparisons to interim periods for whose financial statements were included [in order to provide] comparative numbers in the interim financial statements.
 - (3) Mention should be made of the following, *inter alia*:
 - (a) Seasonal effects on the results of the corporation's activity;
 - (b) Extraordinary or one-time events;
 - (c) Events that may indicate financial difficulties;
 - (d) An explanation regarding the matters to which the corporation's accountant called attention in his or her review of the interim financial statements.
 - (4) Reference shall be made to significant changes that occurred in the matters listed in paragraph (4) of section 10(b), and the board of directors' considerations in making these changes or in recommending them shall be explained;
 - (5) Reference shall be made to events that occurred after the balance sheet date that are mentioned in the interim financial statements.
 - (6) Reference shall be made to very significant changes that occurred during the interim period and during the cumulative period from the end of the last reporting year until the report date, with regard to the matters specified in section 10(b)(6);
 - (7) Reference shall be made to very significant changes that occurred during the interim period and during the cumulative period from the end of the last reporting year until the report date with regard to exposure to market risks and to the methods that are being used to manage them,⁸ as provided in the Second Schedule,⁹ *mutatis mutandis*;

⁷ See the effective date and transition provisions in the note to the Second Schedule.

⁸ This provision relates to periodic reports for the year ending on 31 December 2001 through those that were prepared for the year ending on 31 December 2003.

⁹ See the entry into force and transition provisions in the note to the Second Schedule

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- (8) If the board of directors has, during the reporting period, changed its determination regarding the minimal number of directors that will be required to have accounting and financial expertise - the [interim directors' report] shall indicate the change along with the board of directors' reasons for the change;
 - (9) If the number of directors with accounting and financial expertise has fallen below the minimal number – the [interim directors' report] shall indicate the reasons for this, along with [a description of] the actions that the company is planning to take in order to comply with the minimal number, and the timetable that has been established for such [actions];
 - (10) Updates shall be provided regarding any event or matter that is described in section 37A2 (a).
 - (11) Reference shall be made to significant changes that occurred during the interim period and during the cumulative period from the end of the last reporting year until the reporting date, with regard the subjects listed under section 10(b)(11).
- (d) The provisions of section 10(c), (d) and (e) shall apply to an interim period directors' report, *mutatis mutandis*.
- (e) The provisions of this section do not apply to the following:
- (1) a banking corporation or a credit card company;
 - (2) an insurer;
 - (3) information in the interim report of a corporation with which [the data of] a banking corporation is consolidated or proportionately consolidated, in so far as the said information refers to the banking corporation;
 - (4) information in the interim report of a corporation with which [the data of] an insurer is consolidated or proportionately consolidated, in so far as the said information refers to the insurer;
 - (5) information which is provided in an interim report of a corporation with which [the data of] a corporation which is subject to the provisions of Chapter 5C of the Law (in this section: "the consolidated corporation") is consolidated or is proportionately consolidated, provided that such information fulfills both the following conditions:
 - (a) it pertains to the consolidated corporation;
 - (b) is not subject to disclosure pursuant to the foreign law that applies to the consolidated corporation;

Valuation[s] in quarterly reports

(Amended: 2006 (2))

49. If a very material valuation was used in determining values reported in the quarterly report, including for a determination that there is no need to change such values [in the current quarterly report], the corporation shall the corporation shall attach the very material valuation to the quarterly report, and the provisions of section 8B shall apply, *mutatis mutandis*.

First Schedule

[Section 10(b)(1)]

[Amended: 2004(3), 2007]

Issues to be discussed in the directors' report:

1. (*Repealed*).2. *Financial condition* –

Explanations shall be provided with regard to developments concerning the [various] balance sheet items and regarding the following matters as well:

- (a) A purchase or realization of fixed assets the impact of which on the corporation's future activities could be significant - details shall be provided regarding the objective of the purchase or the realization of the said assets, such as: the replacement of one factor of production with another within the manufacturing process; expanding existing manufacturing capacity or [developing] the ability to manufacture a new product; or replacing existing fixed assets in order to preserve manufacturing capacity. Mention should also be made of the activity sector for which the purchase will be used or from which the assets were removed, as well as the manner in which the purchase will be financed;
- (b) Exposure as reflected in the linkage balance note which is included in the financial statements, and the protective measures taken by the corporation with regard to such exposure.

3. *Results of operations* –

Explanations shall be provided regarding developments concerning the [various] items in the profit and loss statement.

4. *Liquidity* –

Explanations shall be provided regarding the corporation's liquidity situation and the cash flow from its current activity, its investment activity and its financing policy, and regarding the following matters as well:

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- (a) The factors that created a surplus or a deficit in cash flow from current operations, and the use made of such surplus or the measures taken in order to reduce the deficit;
 - (b) The effect on its liquidity of debt scheduling arrangements that the corporation has granted or received.
 5. *Sources of financing* —
Explanations shall be provided regarding the corporation's sources of capital, the cost thereof and any changes that have taken place with regard to them, while referring, *inter alia*, to the following:
 - (a) Any issue of securities;
 - (b) Any exercise of options or conversion of securities that are convertible into shares;
 - (c) The average volume, during the reporting year, of long-term loans. The calculations can be made on the basis of monthly data;
 - (d) The average volume of short-term credit. The calculations can be made on the basis of monthly data;
 - (e) The average volume of credit from suppliers and the average volume of credit, during the reporting year, from customers, or alternatively - the range of the said credits, providing there is a significant difference between them. The calculations can be made on the basis of monthly data.
 6. An explanation shall be provided of any very significant data that were included in the description of the corporation's business, [as provided] in accordance with section 8A of the main regulations, and for which no explanation has been provided within the framework of paragraphs 2 through 5.
 7. (a) If a corporation has used critical accounting estimates [in preparing] its financial statements, each estimate shall be identified and the following shall be explained separately with respect to each [individual] critical accounting estimate:
 - (1) The manner in which the estimate was determined, including the facts, assumptions and main data used as the basis for the said choice, including an explanation of its significance;
 - (2) The estimate's quantitative effect on the corporation's financial statements, including the items in the said financial statements that were affected by it;
 - (3) Any factor which should be viewed as possibly having the effect of requiring that the estimate to be amended or that a deviation be made from such estimate;
 - (4) Any significant change made to the estimate during the three years preceding the date of the report, including the reasons for the change and its effect on the corporation's financial statements.

- (b) In addition to the provisions of sub-section (a), if the critical accounting estimate is based on particularly uncertain assumptions or if a reasonable change in the said estimate might have a significant effect on the presentation of the corporation's financial situation or on the results of its operations – the report shall include, in addition to the [information specified] in sub-section (a), a sensitivity analysis of the critical accounting estimate, which shall specify the said uncertainty or the said possible effects [of a reasonable change in the estimate].

Second Schedule^{10,11}

[Regulations 10(b)(7) and 48(c)(7)]

Details regarding exposure to market risks and methods that are being used to manage them, to be included in the board of directors' report:

Definitions

[Amended: 2002(3), 2007]

1. In this schedule [the following terms shall have the meanings indicated alongside them] -

'Responsible person' - the person at the corporation who is responsible for the management of market risks;

'Linkage base' - an index, [exchange] rate or price to which a financial instrument is linked or in which it is denominated, including various foreign currencies, exchange rates of various currencies, price indices, securities indices, [or] securities that constitute a current investment;

'Protection' - measures adopted to offset market risks;

¹⁰ The requirement to include details regarding exposure to marketing risks and the methods with which they are managed will apply to reports prepared for 31 December 2001 and onwards, [and] which are submitted beginning on 21 March 2002, excluding:

- (1) In the 2001 report and the interim reports in 2002, corporations do not need to include the data required in section[s] 2(e)(3) and (4) and in [section] 2(f) of this Schedule;
- (2) In the 2001 report, corporations do not need to include the data required in section[s] 2(e) and (g) of this Schedule;
- (3) In the 2002 and 2003 reports and in the interim reports in 2003 and 2004, corporations that are reporting corporations as of 21 March 2002 do not need to include the data required in section 2(f) of this Schedule, if the corporation's income in 2000 was less than NIS 5 million.
- (4) In the first directors' reports that include data regarding the maximum holding [of derivatives] as described in section 2(f) of this Schedule, corporations do not need to include data regarding the maximum holding [of derivatives] during the preceding reporting year.

¹¹ If the corporation did not include the data required in section[s] 2(e) and (g) of this Schedule in its 2001 report, the 2001 details shall be reported for the first time, in the full format, in the interim report for the first quarter of 2002. The details required in section (7) of section 48(g) of these regulations shall also be presented.

“Current investment,” “non-financial balances,” “financial asset,” “financial liability,” “financial instrument,” “firm commitment,” “capital instrument” and “fair value” – in accordance with the meanings given these terms in the accepted accounting principles and accepted reporting rules;

“Financial instrument” – (deleted);

“Family of derivatives” – (deleted);

“Derivative” – a financial instrument which is intended to be settled in the future [and] whose value varies in response to changes in the base asset, [and] which requires an initial investment which is lower than would be required for an investment in the purchase of the base asset;

“Fair value of a derivative” – (deleted);

“Nominal value” – (deleted);

“Position in a derivative” – (deleted);

“Short position in a derivative” – (deleted);

“Long position in a derivative” – (deleted);

“Fair value [as determined] in accordance with a/the model” –

- (1) with regard to a share – its fair value;
- (2) with regard to another sensitive instrument as defined in section 2f(a) – its fair value as determined according to an accepted valuation technique;

Details of reporting

[Amended: 2003(3), 2007]

2. The following details shall be set out according to their order in the sections of this schedule, and together with the title of each section:

a. The person at the corporation who is responsible for managing market risks in the corporation

The name of the responsible person; if the responsible person is not a senior corporate officer of the corporation, details shall be provided of his or her education, qualifications, business experience during the last five years and his or her other functions in the corporation; if the responsible person is a senior corporate officer in the corporation, his or her function as the responsible person shall be stated within the framework of the details included with regard to such person in the periodic report pursuant to section 26A, and a reference shall be made to the location in the

periodic report at which such details about the responsible person are stated; if there are several responsible persons, the said information shall be provided with regard to each of them individually, and in addition to this, the division of responsibility between them and the manner in which they make decisions shall be indicated; if a responsible person has not been appointed, this fact shall be stated and the reason for it shall be provided.

b. Description of market risks

A detailed description of the market risks to which the corporation is exposed; the description shall also refer to the information regarding market risks which is [required] to be included in the financial statements; with regard a corporation whose activity in the field of derivatives is not designated for protection, this fact shall be stated expressly in addition to the said description.

c. The corporation's market risk management policy:

- (1) The corporation's market risk management policy, including [its policy with respect to] whether it designates its market risk management as accounting exposure or as economic exposure, where there is a conflict between them; [the description of the policy shall also] include a quantitative statement of the degree of exposure which the corporation regards as acceptable and the variables involved in the decision that was made regarding this matter.
- (2) A description of the division of responsibility and the scope of authority within the corporation with regard to existing exposures, their expansion, the creation of new exposures and the measures aimed at reducing exposures, along with an indication of any quantitative restrictions established by the corporation, if it has established any such [restrictions]; if no quantitative restrictions were established as stated, this fact shall be stated and the reason for it shall be provided; the party responsible for establishing the said restrictions shall be identified; in addition, a description shall be provided of the mechanisms that allow for an immediate response to extraordinary developments in the various markets as well as a description of the events that will lead to such developments being discussed by the board of directors.
- (3) The corporation's policy regarding investment in entities whose main business is [the execution of] transactions in derivatives and short sales (such as hedge funds).
- (4) A description of changes that occurred during the reporting year in market risk management policy.

d. Supervision of the market risk management policy and the manner in which it is carried out

A description of the manner in which the policy is carried out and the means through which it is supervised, including:

- (1) The nature, scope and frequency of the board of directors' actual consideration of market risk management issues during the reporting year;
- (2) Internal control mechanisms within the corporation that are designed to prevent deviations from the market risk management policy, and a list of any significant deviations from the planned policy that occurred during the reporting year;
- (3) If a corporation does not keep original and detailed internal documentation regarding the designation of all financial instruments for protection, in cases in which they are designated for protection – the report shall state this fact; for this purpose, the term '*original and detailed internal documentation*' shall mean documentation that indicates the connection between the financial instrument and the exposure against which it is intended to protect, and which is prepared as close to the date of the entry into the transaction as possible, and as close as possible to the date on which the designation is made or to the date of any change which is made regarding such designation.

e. Report of linkage bases

A report of the linkage bases for the dates of the balance sheets included in the financial statements that are required to be submitted in accordance with these regulations and with the Financial Statements Regulations, as specified below:

- (1) The items in the corporation's balance sheet shall be divided up and presented in columns, as specified in paragraph (2), according to linkage bases and according to the balances of un-linked financial instruments; a column shall be presented of the balances, which will constitute the difference between the total of all the detailed columns and the items on the balance sheet; finally a column shall be presented which sums up all the said columns and which is identical to all the balances in the corporation's balance sheet; furthermore, for each column, the total net balance sheet amount (assets less liabilities) shall be presented (in this schedule — "*the total net balance sheet amount*"). For the purpose of this sub-section, the term "*items in the corporation's balance sheet*" shall refer to [such items] as presented in the balance sheets or according to the groupings prescribed in sections 12 and 26 of the Financial Statements Regulations;

- (2) Every linkage base in which or to which the total of all financial assets or financial liabilities are denominated or linked exceeds five percent of the total of all financial assets or financial liabilities, respectively, shall be presented in a separate column; both assets and liabilities shall be presented for each linkage base presented in a separate column as described above; the remaining linkage bases shall be presented in one column.
- For the purpose of determining the relevant linkage base for a specific balance, the following shall be taken into account - the currency for realization or redemption, and any contractual terms that affect the realization or redemption values; a balance in which various different elements are denominated in or linked to a number of different linkage bases shall be divided among [such] linkage bases according to the manner in which it was assessed for presentation in the financial statements; if there is an option according to the terms [of the relative elements], of linking a particular balance to various linkage terms, the balance shall be presented according to the assessment for the purpose of its presentation in the financial statements.
- (3) If, in the view of the board of directors, the total net balance sheet amount at the end of the reporting year for any particular linkage base whatsoever in the linkage base report, including for a linkage base that does not appear [in that report], reflects exposure to market risks that is significantly different from the exposure that characterized the reporting year, one of the following shall be presented, in addition to the above [information]:
- (a) The average total net balance sheet amount for the period, for the applicable linkage bases, and with a specification of the frequency of measurement;
 - (b) The representative range for the period of the total net balance sheet amount for the applicable linkage bases.
- (4) If, in the view of the board of directors, the total net balance sheet amount at the end of the reporting year for any particular linkage base whatsoever, including for a linkage base that does not appear [in that report], reflects exposure to market risks that is significantly different from the maximal exposure in the reporting year, [the report shall] present, in addition to the above [information], the total net balance sheet amount as of the date of the maximal exposure for the applicable linkage bases, with a specification of the frequency of the measurement, all of which shall be presented in accordance with the information available to the corporation for the purpose of monitoring and managing its exposure to market risks, in so far as such information exists; a corporation that does not have any such information in its possession or which makes no use of it for the purpose of

monitoring and managing its exposure to market risks shall state that fact and shall not be required to present any such information.

f. Sensitivity Analyses (2007)

- (a) With regard to products or services that are traded on the commodities' market, with regard to any financial instrument - even if classified as inventory by the corporation - and with regard to any firm commitment according to which the payment or receipt will be [in the form of] products or services that are traded on the commodities' market or [in the form of] financial instruments (in this schedule – *sensitive instruments*):
1. The report shall present the fair value as determined in accordance with a model, for the end of the reporting year;
 2. The report shall present the model, facts, assumptions, estimations and forecasts that were used to determine the fair value in accordance with a model;
 3. If the fair value as determined in accordance with the model is different than the fair value – the report shall also present the fair value;
 4. The report shall present any changes in the fair value as determined in accordance with the model, [based on] assumptions of changes in market factors that might directly or indirectly affect the said fair value (in this schedule – *sensitivity analyses*), as follows:
 - (a) The corporation shall perform at least four sensitivity analyses, [indicating the] results of upward and downward fluctuations in market factors, at the rate of five percent [each] and at the rate of ten percent [each];
 - (b) If during the ten year period preceding the reporting date, there was a daily fluctuation rate that was higher than any of those prescribed in sub-section (a), the corporation shall perform a sensitivity analysis according to the highest daily rate during the said period, in addition to the rates prescribed in sub-section (a); the report should indicate that the analysis was carried out in accordance with the provisions of this sub-section, and shall state one of the following:
 - (1) That no daily fluctuation rate [in the fair value] that was above ten percent was found;
 - (2) That a daily fluctuation rate [in the determined fair value] that was above ten percent was found, [in which case] the highest said [fluctuation] rate [for the determined fair value] should be indicated along with the date on which it took place;

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- (c) In performing the sensitivity analyses, the corporation may group together a number of sensitive instruments that respond similarly to changes in the same market factors, and which are measured by means of the same assessment model, providing that the results of the sensitivity analysis would not have been significantly different were it not for the combination into groups;
 - (d) Sensitivity analyses shall be performed as of the dates of the balance sheets included in the financial statements that are required to be submitted in accordance with these regulations and in accordance with the Financial Statements Regulations.
5. The data listed in paragraphs 1 to 4 shall be presented in the form of a detailed table, in the format of the table provided in subsection (i) as specified below:
- (a) Each market factor shall be provided with a separate table; if a corporation is required to provide additional data pursuant to paragraph (9), such data shall be provided according to the provisions of this paragraph;
 - (b) The sensitive instruments shall be categorized in the following sub-groups:
 - (1) Sensitive instruments that are designated for the [the provision of] protection for other sensitive instruments that are presented in the table and which are recognized in the financial statements as [providing] accounting protection, and immediately following them – the instruments that they [serve to] protect, if there are such;
 - (2) Sensitive instruments that are designated for [the provision of] protection for other sensitive instruments presented in the table and which are not recognized in the financial statements as [providing] accounting protection, and immediately following them – the instruments that they [serve to] protect, if there are such;
 - (3) Instruments that are not designated [for the provision of] protection;
6. If the corporation has changed the model that was used for determining the fair value of the sensitive instruments in accordance with a model, the report shall describe the changes that were made and the reasons for the said changes; the report shall also provide, for the sake of comparison, data pertaining to the fair value of the sensitive instruments that was determined in

accordance with the model and the sensitivity analyses [conducted regarding such fair value], as they would have been presented if the new model had already been applied on the included dates; alternatively – the numbers for the reporting year should also be presented in accordance with the previous model;

7. If a change has occurred regarding the facts, assumptions, estimations or forecasts that were used in determining the fair value of sensitive instruments in accordance with a model that was presented for the previous reporting year, the report shall describe the change and provide explanations for it, providing the [said] change has brought about a significant change in the fair value determined in accordance with the model or in the results of sensitivity analysis;
 8. If the impact of the changes in the market factors on the fair value determined on in accordance with the model was significantly different from their impact on the corporation's profits, the corporation may also present the impact of the changes in the market factors on its profit; if the corporation has chosen not to do so, the [report] shall present the directors' explanations for such significant variance and for its implications;
 9. If the data for the end of the reporting year did not represent the corporation's exposure during the course of the reporting year, then the results of the sensitivity analyses for additional dates during the reporting year shall also be included (in this schedule – the additional measurement[s]); the additional measurement[s] shall be carried out at regular intervals and at fixed dates, and the [report] shall indicate [the directors' reasons] for the said dates and frequency; if a corporation had changed the dates and frequency of the additional measurements, the [report] shall indicate [the directors' reasons] for the said changes.
- (b) A corporation may present several sensitive instruments in groupings, if such [presentation] does not lead to [a failure to present] significant information which is required for the understanding of the corporation's exposure to market risks; if both of the following conditions are met, there will be a prima facie assumption that there has been no failure to present significant information:
- (1) The fair value, as determined in accordance with a model, for a sensitive instrument which will be added to the grouping, calculated on the basis of its absolute value, constitutes less than 5% of the fair value as determined in

accordance with the model of all the sensitive instruments that are sensitive to a specific market factor;

- (2) The result of the sensitivity analysis for the sensitive instruments that will be added to the grouping constitutes less than 5% of the total sum of all the sensitivity analyses for all the sensitive instruments that are sensitive to a specific market factor;
- (c) The corporation shall provide disclosure if, [at any time] during the preceding ten years, an accumulated weekly change developed, which, if it had developed at the reporting date would have adversely affected the presumption of a functioning business that served as the basis of the preparation of the financial statements.

g. Fair value at risk

If the corporation's main business is in the field of finance or in the trading of products and services that are traded on the commodities market, the report shall also include an analysis according to the Value at Risk fair value model (in this sub-section – VaR):

- (1) The [VaR] measurement shall include, at the least, all financial instruments, products and services that traded on commodities market (in this subsection – items which will be included in the VaR measurement) for which there is a market with regularly quoted prices, including an over the counter market (OTC) (in this subsection – a quoting market); where the market risk management policy has involved [the holding of] financial instruments for which there is no quoting market – such instruments shall also be included in the VaR measurement;
- (2) In exceptional cases, in which there are no accepted models for the pricing of a [particular] sensitive instrument [which is] included in the VaR measurement [and] which is an item composed of a number of sub-items (these are, generally speaking, [instruments that are known as] embedded derivatives) (in this subsection – "*compound item*" and "*sub-item*", respectively), the corporation is not required to include the sub-items that comprise the compound item in its VaR model;
- (3) A corporation shall perform the VaR measurement in accordance with accepted models; the corporation shall describe the model, its assumptions and the other parameters of which a reasonable investor would need to be aware in order to understand the measurement and its results. [This description shall include an indication of the sub-items and compound items included in the measurement, an indication of the reasons for the non-inclusion of [particular] items and sub-items in the measurement, and a [description] of the limitations of the model and a specification of the critical estimates used in its

implementation; information regarding the frequency of the [said] measurement shall also be provided;

- (4) The VaR shall be measured at least once a week, at fixed time intervals between the measurements;
- (5) The accuracy level of the VaR measurement should be, at the least, 95% [and] the measurement shall estimate the VaR as of the following day;
- (6) The report shall include the value as of the date of the measurement, as well as, at the least, information pertaining to the value of maximal loss, minimal loss and average loss, as these were measured by a model during the reporting period or, alternatively, the breakdown of these values; the corporation shall also state the number of times when, out of all the measurements performed during the reporting period, the actual loss was greater than the loss measured by the VaR model;
- (7) The VaR measurement shall be performed for the dates of the balance sheets that are included in the financial statements that are required to be submitted according to these regulations and according to the Financial Reports Regulations.

For the purpose of this subsection, [the term] "*the field of finance*" – shall include the holding of financial instruments or the trading of such instruments.

g1 The board of directors' explanations (2007)

Explanations from the board of directors will be provided for the following matters:

- (1) Any exposures, as indicated by the linkage bases report, the sensitivity analysis table and, where required according to sub-section (g), by the VaR analyses;
- (2) The degree to which the market risk management policy and the actual risk management [practice] are in conformity.

g2 Table of sensitivity analyses results

A table regarding the sensitivity analyses['] results], as required pursuant to sub-section f(a)(5), shall be presented in the following [format]:

A. A sample table for sensitivity analysis [results] for sensitive instruments, according to changes in market factors

| Sensitive Instrument | Profit (loss)** from changes | | Fair value | Profit (loss)** from changes | |
|--|--------------------------------|-------------------------------|------------|-------------------------------|--------------------------------|
| | 10% rise in the market factor* | 5% rise in the market factor* | | 5% drop in the market factor* | 10% drop in the market factor* |
| | | | | | |
| | | | | | |
| Total of all instruments [designated] for [the provision of] protection, and recognized as providing accounting protection | | | | | |
| | | | | | |
| | | | | | |
| Total of all instruments [designated] for [the provision of] protection, and not recognized as providing accounting protection | | | | | |
| | | | | | |
| | | | | | |
| Total of all instruments not [designated] for [the provision of] protection | | | | | |
| TOTAL | | | | | |

* The table shall indicate the market factor on the basis of which the sensitivity analyses were carried out.

** The amount of the loss, if there is such, shall be written in parentheses.

A table in this format shall be presented for each [relevant] market factor.

B. Sample table for sensitivity analysis [results] for sensitive instruments according to changes in market factors, where additional sensitivity analyses are required in accordance with section 2(f)(a)(4)(b) of the Schedule

| Sensitive Instrument | Income (loss)*** from changes | | | Fair value | Income (loss)*** from changes | | |
|--|--------------------------------|--------------------------------|-------------------------------|------------|--------------------------------|-------------------------------|--------------------------------|
| | x% rise in the market factor** | 10% rise in the market factor* | 5% rise in the market factor* | | x% drop in the market factor** | 5% drop in the market factor* | 10% drop in the market factor* |
| | | | | | | | |
| | | | | | | | |
| Total of all instruments [designated] for [the provision of] protection, and recognized as providing accounting protection | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| Total of all instruments [designated] for [the provision of] protection, and not recognized as providing accounting protection | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| Total of all instruments not [designated] for [the provision of] protection | | | | | | | |
| TOTAL | | | | | | | |

* The table shall indicate the market factor on the basis of which the sensitivity analyses are carried out.

** To be filled in according to the rate prescribed pursuant to section 2(f)(a)(4)(b) of th[is] Schedule.

*** The amount of the loss, if there is such, shall be written in parentheses.

A table in this format shall be presented for each [relevant] market factor.

h. Events that occurred after the balance sheet date

A description and explanation of any events and significant changes regarding the exposure to market risks and market risk management that occurred after the balance sheet date.

Additional information

3. A corporation that adds quantitative information regarding its exposure to market risks and its method of managing such risks beyond what is required pursuant to sections 2(e)-(g) shall also describe the model and its limitations along with the facts, assumptions, estimations, forecasts and [other] parameters that are required for the understanding of the additional information.

Information presented in financial statements

4. (a) If information which is required pursuant to this schedule and its provisions is presented in the corporation's financial statements, such information shall be presented as it was presented in the said financial statements.
- (b) If the information which is required pursuant to this schedule and its provisions is presented in full in the corporation's financial statements, the information which is required pursuant to this schedule shall be included by reference to the said financial statements.

Third Schedule
(Section 8B(d))
(Amendment: 2006(2))

Issues that are to be addressed in an attached material valuation:

Identification of the subject of the valuation

1. Specification and identification of the subject of the valuation;

Details of the contractual agreement

2. Details of the contractual agreement between the party that ordered the valuation and the appraiser, including the following:
 - (a) The identity of the corporation that ordered the valuation and the identity of the organ within the said corporation that decided upon the contractual agreement with the appraiser;
 - (b) The date of the agreement between the party ordering the valuation and the appraiser;
 - (c) The reasons due to which the corporation has ordered the valuation;
 - (d) The name of the appraiser, his or her signature and the date on which the agreement concerning the contractual relationship was signed; if the appraiser is a corporation, details of the party who actually provides the valuation - and his or her signature - should be attached;

- (e) Details of the appraiser's education
- (f) The appraiser's prior consent regarding the attachment of the valuation;
- (g) The conditions, if there are any, regarding the fee to which the appraiser is entitled; in addition, the impact the said conditions have on the results of the valuation;
- (h) The agreement, if there is any, regarding indemnification of the appraiser with respect to the work done; if there is such an agreement, the valuation shall specify the details of the indemnification as well as the identity of the party providing the indemnification.
- (i) Particulars regarding the appraiser's experience in carrying out appraisals involving values that are similar to those of the subject of the current valuation, or which are larger than such values.

The appraised value

3. The valuation (for this purpose, the term "value" shall include a minimal value), shall include details regarding the value established in the valuation, including the following details:
 - (a) The value established by the appraiser;
 - (b) The valuation's effective date;
 - (c) Sensitivity analyses of the [appraised] value, according to the very significant assumptions [involved in] the valuation;
 - (d) If the subject of the valuation is an item which is presented in the corporation's financial statements, its value as presented in the financial statements the date of which is closest to the valuation's effective date should be indicated; if the subject of the valuation is a corporation, the financial statements should indicate the equity of the valued corporation;
 - (e) If the subject of the valuation is an asset traded on the stock exchange, the report shall indicate the highest point, the lowest point and the average of the asset's value during the six months preceding the effective date, taking into consideration any distribution, split or issue of rights during the said period; for this purpose, [the term] "stock exchange" shall have the definition it is given in section 50A(a) of the [Securities] Law;
 - (f) If, in accordance with the corporation's best knowledge, there have been previous transactions involving the [asset which is the] subject of the valuation during the two years preceding the effective date, the values [for the asset derived from] such transactions shall be presented;
 - (g) If the [asset's] appraised value established in the valuation varies by twenty-five percent or more from the [asset's] average value on the stock exchange during the six months preceding the [valuation's] effective date or from the value derived from previous transactions, as described in sub-clause (f) [above], the difference between the said value and the [value established in the] valuation shall be explained and justified;
 - (h) If the appraised value established in the valuation varies by forty percent or more from the appraised values established in other valuations that have been

publicized in the context of public reports filed pursuant to the Securities Law during the two years preceding the valuation, the data from the other valuations shall be presented, along with the assumptions on which they were based;

- (i) Any significant changes made to the valuation following requests for disclosure or clarifications from the ISA or from an authorized employee thereof.

Appraisal method

4. The valuation shall contain details pertaining to the appraisal method that was used, including the following:
 - (a) A description of the asset that is the subject of the valuation; if the subject of the valuation is an activity, the valuation shall include an analysis of the industry and of the business environment in which the subject of the valuation is active, along with an analysis of the risks and opportunities that it faces;
 - (b) The facts, assumptions, calculations and projections on which the appraiser has relied;
 - (c) The key factors that might affect the projections;
 - (d) The assumptions and projections submitted by the corporation which served as the basis for the valuation; the appraiser shall indicate, in the valuation, whether significant changes had been made in the said assumptions and projections for the purpose of the valuation, and shall specify any probability analyses carried out with regard to such assumptions and projections;
 - (e) The appraisal method used by the appraiser for preparing the valuation, and the reasons for choosing the said method; if the method chosen by the appraiser is different from the cash flow capitalization method, the appraiser shall explain the reasons for choosing the said method;
 - (f) The sources of information that were available to the appraiser; if there are other sources of information that in the appraiser's opinion should have been used for the purpose of the valuation, and he or she was prevented from accessing or receiving them - the appraiser shall disclose that fact, and indicate the reason for it;
 - (g) If the appraiser made use of a capitalization rate, the chosen capitalization rate shall be specified and detailed explanations shall be provided regarding the choice of the particular capitalization rate and the method of its calculation.

Previous valuations by the assessor

5. The valuation shall include details regarding previous valuations carried out by the same appraiser concerning the same subject of the valuation, including the following details:
- (a) If a previous valuation had been carried out during the three years preceding the [current] valuation's effective date, the appraiser shall specify the effective date of such previous valuations, the appraised values established in them and the reasons for providing the said valuations;
 - (b) If the appraised value established in the prior valuations varies by twenty percent or more from the appraised value established in the [current] appraisal, or if the net profit which was calculated in accordance with the previous valuations varies by ten percent or more from the net profit calculated pursuant to the [current] valuation, or if the appraisal methods used in the [current] valuation was different from the appraisal method used in the prior valuations – the appraiser shall disclose [such] fact[s] and provide explanations for the main changes [made with regard to the] significant assumptions and estimates [on which the current valuation was based], accompanied by facts that brought about the said change;
 - (c) If there are variations between the financial results on which the previous valuations were based and the actual financial results – the said variations shall be presented and explained.

Reliance on experts

6. If the valuation was based on material valuations [carried out] by additional experts -
- (a) The valuations by the additional experts shall be attached to the valuation;
 - (b) All the details required pursuant to this schedule shall be presented, *mutatis mutandis*, with regard to the valuations by the additional experts.

Fourth Schedule
(Section 10(b) (11))
(Amendment: 2007)

Details regarding the corporation's internal auditor to be included in the directors' report, in the following order:

Particulars of the internal auditor

1. The following [particulars] shall be indicated in detail regarding the internal auditor:
 - (1) His or her name;
 - (2) The commencement date of his or her tenure;
 - (3) If the internal auditor does not meet one of the conditions prescribed in section 3(a) of the Internal Audit Law – the report shall indicate the said conditions which the internal auditor does not meet;
 - (4) The internal auditor's compliance with the provisions of section 146(b) of the Companies Law and the provisions of section 8 of the Internal Audit Law;
 - (5) If the corporation became aware that the internal auditor held shares of the audited corporation or of an affiliated entity, such holdings shall be specified, and an explanation shall be provided as to whether these holdings could affect the nature of the internal auditor's work; in this schedule, [the term] "**affiliated entity**" [shall refer to] a controlling shareholder in the audited corporation, or to a party which is controlled by the audited corporation or by its controlling shareholder, or by entities affiliated with any of them;
 - (6) If the internal auditor had significant business connections or other significant connections with the audited corporation or with an affiliated entity, the said connections shall be indicated as well as whether such connections create conflicts of interest with his or her position as internal auditor;
 - (7) The report shall indicate whether the internal editor is an employee of the corporation or [of a party which] serves as an external service provider for the corporation, along with identifying details of the external party on behalf of which the internal auditor provides his or her services to the corporation, and it shall also indicate any other positions that [the internal auditor] holds within and outside the corporation;
 - (8) In paragraphs (5) to (7), [the term] "**internal auditor**" shall also refer to the external service provider on behalf of which the internal auditor acts.

Appointment procedure

2. The report shall indicate the date on which the appointment [of the internal auditor] was approved by the audit committee and by the board of directors, along with a summary of their grounds for the approval of the appointment, with reference to the duties, authority and functions that are imposed upon the internal auditor by law, and taking into consideration, *inter alia*, the corporation's type, its size and scope, and the complexity of its activities;

Conclusion of tenure

3. (a) If the internal auditor's tenure is concluded during the reporting period, the report shall specify the date of and the reasons for the said conclusion.

- (b) If the internal auditor's tenure was terminated without his or her consent, the report shall indicate the termination's compliance with the provisions of section 153 of the Companies Law.

Identity of the internal auditor's supervisor

- 4. (a) The report shall indicate the identity of the internal auditor's supervisor in the corporation.
- (b) If the supervisor of the internal auditor is other than as required under section 148 of the Companies Law, the reasons for such shall be indicated.

Work plan

- 5. (a) The report shall indicate whether the [internal auditor's] work plan is annual or periodic; if the plan is periodic – the length of the [relevant] period shall be indicated.
- (b) The report shall indicate the manner in which the content of the work plan is determined, including any reliance on the risk assessment survey prepared by the corporation's internal auditor.
- (c) The report shall indicate which parties within the corporation are involved in the preparation of the work plan.
- (d) The report shall indicate the party within the corporation that receives and approves the work plan; if the recipient or the approver are other than as required under section 149 of the Companies Law, the reasons for such shall be indicated.
- (e) The report shall indicate whether the work plan allows the internal auditor the discretion to deviate from it; if the said discretion is limited or subject to approval, details shall be provided regarding this matter.
- (f) If the corporation carried out any significant transactions during the reporting period, the report shall indicate whether the said transactions were examined, including whether there were proceedings leading to their approval by the internal auditor; for this purpose the term "significant transactions" – shall include a significant purchase or sale of activities, transactions as defined in section 270 of the Companies Law, or an extraordinary transaction as defined in the Companies Law.

Auditing abroad or [auditing] of held corporations

- 6. (a) The report shall indicate whether the audit plan also relates to the corporation's significant held companies; if there is an additional internal

auditor at a held corporation, the division of work between [that auditor and the corporation's internal auditor] shall be specified; in this schedule the term "held corporation" shall refer to a consolidated corporation, a proportionately consolidated corporation or an included company.

- (b) The report shall indicate the whether the audit plan relates to the corporation's activities or those of any held corporations, [if such activities are located] outside of Israel.

Scope of employment

- 7. (a) The report shall specify the scope of the auditor's employment according to the amount of work hours per year, including the reasons for determining the said scope [of employment] and the level of flexibility [allowed with respect to it]; the number of hours of employment shall be presented in the form of a table, with separate columns indicating the hours invested in the internal auditing of the corporation itself and [those invested in the auditing] of the corporations held by it while distinguishing between the hours invested in the auditing of activities that were carried out in Israel and the hours invested with regard to activities outside Israel; if some activity has been audited by an additional internal auditor, in the corporation or in its affiliated entity, the report shall indicate this fact and shall specify the scope of the said additional internal auditor's employment regarding such activity.
- (b) If the scope of the internal auditor's work has been reduced during the reporting period as compared to what it was during the [corresponding] period in the previous reporting period, the said reduction shall be explained.

Preparation of the audit

- 8. (a) The report shall describe the accepted professional standards according to which the internal auditor prepares the internal audit plan, as prescribed in section 4(b) of the Internal Audit Law.
- (b) The report shall describe how the directors satisfied themselves that the internal auditor had complied with all the requirements prescribed in the standards described in sub-section (a); if the internal auditor did not comply with all the aforementioned standards, the report shall indicate the reasons for such non-compliance, to the best of directors' knowledge, as well as the directors' intended actions in this regard.

Access to information

9. (a) The report shall indicate whether the internal auditor was presented with documents and information as prescribed in section 9 of the Internal Audit Law, and whether he or she had access to information as prescribed in that section, including ongoing and direct access to corporate information systems, including to its financial data.
- (b) If the audit plan included the auditing of held corporations or corporations acting outside Israel – the report shall indicate the means through which compliance with the provisions of sub-section (a) was ensured, given such circumstances.

The internal auditor's report

10. (a) The report shall state that the internal auditor's report was submitted in writing.
- (b) The report shall indicate the dates on which the reports of the internal auditor's findings were submitted and the party within the corporation to whom the findings were submitted shall be identified.
- (c) The report shall indicate the dates on which discussions regarding the internal auditor's findings were held by the audit committee or by the board of directors; if no discussions were held – the report shall indicate the reasons for such [lack of discussion].

The board of directors' assessment of the internal auditor's activities

11. The report shall indicate whether, in the opinion of the board of directors, the scope, the nature and the continuity of the internal auditor's activities and his or her work plan are reasonable under the circumstances, and whether they are sufficient to achieve the objectives of the internal auditing of the corporation.

Compensation

12. (a) The scope and means of compensating the internal auditor shall be detailed; for this purpose, [the term] "compensation" shall have the meaning given to that term in section 21 [of the main regulations].
- (b) If the internal auditor was given securities as part of his or her terms of employment, the report shall indicate whether the said securities were those of the audited corporation or of its affiliated entity.

- (c) The report shall indicate the directors' view regarding the question of the influence that internal auditor's remuneration might have on his or her exercise of professional judgment.

Disclosure of exposure due to non-compliance with requirements

13. If the corporation has not complied with the binding requirements regarding its internal auditor, as such are established in this schedule or in any relevant law, the report shall indicate the reasons for such [failure to comply].

Fifth Schedule (Section 36 (a1)) (Amendment: 2007)

Details to be included in the report regarding a the acquisition of assets

1. Stages of the transaction

The report shall describe the anticipated stages of the transaction in general terms, and shall indicate the stage of the transaction as of the reporting date and the following details shall be provided:

- (1) [If the transaction is] at the negotiating stage – a general description of the asset, the estimated purchase price and the estimated timetable for the completion of the negotiations;
- (2) [If the transaction is] at the stage of the signing of a preliminary document – the main points of the document that was signed and a reference to the immediate report submitted at the negotiating stage, if such a report was submitted; for this purpose the term a "preliminary document" shall mean an agreement on principles, a memorandum of understanding, a memorandum or [any] other document of a similar nature;
- (3) [If the transaction is] at the stage of the signing of an acquisition agreement – full disclosure regarding the acquisition, the scope of said disclosure to be determined according to the significance of the acquired asset for the corporation. The disclosure shall refer to all of the following:
 - a. The date of the acquisition;
 - b. The manner of the acquisition – including [whether it is carried out] through a purchase, exchange transaction, merger, consolidation of assets or lease purchase;
 - c. A concise description of the acquired asset; if the acquired asset is one of the assets listed in section 2 of this Schedule, it shall be described as provided in the said section;

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- d. The consideration given for the asset, the manner in which it was determined, and the payment dates;
 - e. The manner in which the acquisition was financed, with an indication of the portion that was financed by means of a loan; if a significant part of the acquisition was financed by means of a loan – the report shall indicate the date of the loan's receipt, the amount of the loan and its terms - including its duration, the repayment dates, interest rates, collateral, and [the corporation's consequent] compliance with financial ratios or other restrictions;
 - f. If the seller is an entity which is connected to the corporation – the report shall indicate the nature of the said connection;
 - g. Any taxes or charges stemming from the acquisition;
 - h. Legal restrictions or legal arrangements relating to the asset's owners which restrict the use thereof;
 - i. The corporation's plan regarding the acquired asset and its designation, including an estimate of the anticipated investment in the asset following its acquisition; if the acquired asset is a plant or other tangible equipment, the report shall indicate the manner in which the asset was used by the seller as well as whether the corporation intends to make similar use of the asset or whether it intends to designate it for a different use, and what such other designation will be;
 - j. Conditions precedent for the execution of the agreement;
 - k. Any personal interest of any principal shareholder in the corporation regarding the said acquisition transaction and the nature thereof;
4. [If the transaction is] at the closing stage– a report shall be submitted in accordance with the following:
- a. If the date of the agreement's execution is later than the date of its signing – a report shall be submitted on the said anticipated execution date, which shall specify whether the agreement was indeed carried out in accordance with what had been indicated in the report that was submitted at the time the agreement was signed, whether the agreement was carried out in accordance with terms or in a manner that differed from what was established then, or whether the execution has been delayed, and [the report] shall provide an explanation for all these matters.
 - b. If the agreement was conditioned upon the fulfillment of [any] conditions precedent – an updated report regarding the fulfillment of such conditions shall be submitted, or alternatively – regarding any failures, either partial or full, with respect to the fulfillment of these conditions.

2. Type of acquired asset

The report shall provide a detailed description of the acquired asset; if the acquired asset is one of the types listed below, the description shall relate, *inter alia*, to the following:

(1) Real estate –

- (a) The type of land – vacant or developed, either in whole or in part; if the land is developed – the structure built on it shall also be described;
- (b) The [designated] purpose for the land;
- (c) The location of the land, including its section and plot number;
- (d) The land's area in square meters; if the land is developed – the area of the structure [on it] shall also be provided;
- (e) Whether a significant part of the value of the acquired asset is affected by building rights;
- (f) (1) If the acquired property is productive real estate – detailed information regarding existing rental agreements shall be provided, including the number of tenants, the property's occupancy rate and the annual rent that it produces;
(2) If the corporation is a real estate investment fund, as defined in section 64A2(a) of the Income Tax Ordinance, the effect of the said acquisition on the fund's compliance with requirements pertaining to its status under the Income Tax Ordinance shall be indicated;
- (g) Anticipated investments in the property and the corporation's plans with regard to it;

(2) [Another] corporation's securities or activities –

- (a) A description of the acquired corporation, its activities and business environment, including its main areas of operation and the industries in which the corporation is active;
- (b) The main financial data from the acquired corporation's financial statements for the period beginning two years prior to January 1 of the year in which an immediate report is submitted, and which ends just before the date of the purchase, including a reference to the total amount of all assets and liabilities, income turnover, gross profit, operating profit and the net profit of the acquired corporation;
- (c) The report shall indicate the accounting rules according to which the financial statements of the acquired corporation have been prepared;
- (d) If, at the stage of the signing of the acquisition agreement, the corporation was unaware of one or more of the [types of] data listed in paragraphs (a) or (b) – such [lack of knowledge] shall be expressly stated in the report;
- (e) If the subject of the acquisition was the activity of a corporation, the data listed in paragraphs (a) and (b) shall be presented after making adjustments in relation to the acquired activity, with an indication of the

source of the data and of the assumptions that were the basis for making the said adjustments;

- (f) If the securities of a reporting corporation were the subject of the acquisition, the [acquiring] corporation shall be deemed to have complied with the provisions of this section, if it includes within the report [regarding the acquisition] the periodic report of the [acquired] reporting corporation for the last year that ended prior to the publication of the [acquiring corporation's] report, as well as any quarterly reports that were published [by the acquired corporation] after the date of the said periodic report, providing that a presentation is made of any changes or significant innovations which occurred up to the date of the [acquiring corporation's] report's publication, in the [acquired] corporation's business, with regard any issue that is required to be reported in the periodic report; the said inclusion may be carried out by way of reference, in accordance with section 5A [of the main regulations];
- (3) An intangible asset –
- (a) The nature of the asset, such as: a patent, trademark, brand name, license, franchise, [computer] program or other intellectual property;
 - (b) The manner in which the asset is expected to be used in production;
 - (c) The asset's estimated lifespan;
 - (d) The estimated anticipated investment in the asset;
- (4) Equipment or a production line –
- (a) The maximum output of the equipment or production line;
 - (b) The corporation's estimate regarding the anticipated output from the equipment or production line during the coming years;
 - (c) The acquisition's impact on existing manufacturing activity;
 - (d) The anticipated investment in the equipment or production line.

Sixth Schedule

(Sections 21 and 37A3)

Part A Definitions

“Immediate or special report”- [shall mean] a report pursuant to section 37A3, or pursuant to the Securities Regulations (Transaction Between a Company and a Controlling Shareholder Therein), 2001 or pursuant to the Securities Regulations (Private Offering of Securities in a Registered Company), 2000.

Part B

- (1) The dates involved in the provision of the compensation, and the entitlement period for the compensation;

- (2) Conditions for the conclusion of the contractual relationship;
- (3) Changes in the compensation that were made during the course of the reporting year.

Part C

- (1) The specification of the compensation will be presented in accordance with the following table, with the addition of verbal explanations, which will go beyond what is required pursuant to the previous paragraphs of this schedule to the extent that such is necessary for the purpose of understanding the nature of the compensation, its conditions and the manner of its calculation; in an immediate or special report regarding compensation the amount of which will be knowable only at the end of the reporting year, a description will be provided of only the principles of such compensation and the equations according to which it will be determined.

| Particulars regarding the recipient of the compensation | | | | Compensation* for services | | | | | | | Other compensation* | | | Total |
|---|----------|--------------------------|---------------------------------|----------------------------|-------|--------------------------|-----------------|-----------------|-------------|---------|---------------------|------|---------|-------|
| Name | Position | Full time/part time etc. | Percent of Corp.'s capital held | Salary | Grant | Share based Compensation | Management fees | Consulting fees | Commissions | Other** | Interest | Rent | Other** | |
| | | | | | | | | | | | | | | |
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* The compensation amounts are to be presented in terms of the cost to the corporation.

** Other – specify the type of compensation

- (2) The components of the compensation, including the components that are not required to be included in the table pursuant to paragraph (1), the date of the entry into the contract covering the provision of the compensation, and if it is a one-time contract - the date of its commencement and of its conclusion;
- (3) If the table includes compensation that is given by a party that is not the corporation, including a corporation that it controls or the corporation's controlling shareholder, the identity of such party and the scope of the compensation provided by such party shall be indicated;
- (4) If the compensation is provided in the form of securities, including share based compensation, the components and characteristics of the compensation shall be specified, along with the dates relating to the provision of this compensation, the conditions for receiving it, [and] the amount of securities of each type that are

given and the fair value thereof; for this purpose, [the term] "fair value"- [shall be the fair value arrived at] in accordance with the accounting rules as defined in the Financial Statements Regulations;

- (5) Consideration which is given to directors, and expenses accompanying such consideration, which do not deviate from the standard [for such consideration and expenses] will be indicated in a [single] overall amount with respect to all directors together; for this purpose, it is presumed that consideration for directors that exceeds the maximum amount indicated in sections 4 and 5 of the Companies Regulations (Rules Regarding Consideration and Expenses for an External Director) - 2000, and consideration which exceeds the amount established in section 7 of those Regulations will be considered to be consideration which deviates from the standard; in an immediate or special report, the disclosure [of such non-standard consideration] will be made separately for each director;
- (6) If the compensation is provided in the context of the corporation's general compensation program or that of a corporation that it controls, the terms of such program and the date of its approval will be specified;
- (7) If all or part of the compensation is based on the corporation's performance or on the meeting of [certain] targets, a detailed description will be provided of the mechanism [used for] determining the compensation, including the measurements and milestones used for its determination. The report will also indicate whether the financial performance of activities or companies that may be acquired in the future will constitute a part of the calculation of the compensation and of the mechanism for the calculation of the compensation in relation to such performance;
- (8) If the compensation is calculated according to an equation which is based on data in the financial statements, the components of the equation will be described; in an immediate or special report regarding compensation the amount of which will be known only at the end of the reporting year, the report shall indicate the amount to which the senior corporate officer or principal shareholder would be entitled to according to the equation, based on the data from the last reporting year and from the year preceding it. If the compensation amounts that are based on the last reporting year's data and those of the year preceding it do not properly reflect the compensation which is expected to be given to the senior corporate officer or principal shareholder [in the current year], such amounts will not be presented, and this fact will be indicated, accompanied by the board of directors' explanations;
- (9) If the compensation includes amounts for a one-time performance and results, such performance and results will be indicated. In an immediate or special report regarding compensation the amount of which will be known only at the end of the reporting year, if such compensation was given for an event which had a high

probability of occurring at the time of its approval, this fact and its significance will be indicated [in the report];

- (10) If the compensation was conditioned on the occurrence of an event, including a change in an index, a retirement from service [in a particular position], the achievement of financial results or of another milestone, such conditions for receiving the compensation will be specified and the scope of the compensation if it were to be given on the date of the report will be specified; significant events which are known to the corporation at the time of the reporting [and] which can impact on the fulfillment of the condition will be specified as well;
- (11) If the compensation of a senior corporate officer or principal shareholder is linked to compensation that is given to another [party], the terms of such linkage will be specified;
- (12) If an undertaking was made to give compensation which was not listed in the table in accordance with paragraphs (1) or (7), including compensation due to retirement or due to the conclusion of service [in a position], the terms of such undertaking will be provided, including the scope of the compensation which is expected to be given in accordance with such undertaking.

Part D

- (1) [The report shall indicate] the manner in which the [amount of the] compensation will be determined, the parties who are responsible for determining the [amount of the] compensation and approving it, the date of its approval and particulars regarding the information which was presented to such parties prior to the approval of the [amount of the] compensation;
- (2) [The report shall indicate] the reasons for the determination of the [amount of the] compensation, including –
 - (a) The board of directors' reasons and those of the audit committee - in cases in which the audit committee's approval is required – for approving the [amount of the] compensation, including all of its components, with reference to the components of the compensation;
 - (b) If there were those who objected to the approval of the compensation, that fact will be indicated and the objectors' reasons will be specified.
 - (c) The report will indicate whether or not an examination was made of the compensation data of similar companies or of standard compensation data in the industry, and will indicate whether the compensation that was given to the senior corporate officer or principal shareholder is reasonable under the circumstances; if such data were presented to the audit committee and the board of directors, the report will indicate if and to what degree the compensation given to the senior corporate officer or principal shareholder deviates from such data;

- (d) If compensation of the general manager or the chairman of the board of directors which was significantly different from compensation given by the corporation with regard to such position in the past was submitted for approval, the compensation given to them in the past and the reasons for the change will also be specified.

Seventh Schedule

(Section 10(b) (12))

The particulars to be included regarding the corporation's external auditor which are to be included in the directors report, in the following order:

Specification of the salary and work hours

1. Each of the following will be described in detail regarding each external auditor in the corporation:
 - (1) His or her name;
 - (2) The total remuneration paid to him or her for his or her auditing services, for [his or her] services related to auditing and tax services, and the work hours invested by him or her in providing such services;
 - (3) The total salary for services provided by the external auditor which are not included in paragraph (2), and the work hours invested by him or her in providing such services and a description of the said services and of their nature;
 - (4) If the salary specified pursuant to paragraph (2) includes a salary for tax services which exceed 45 percent of the salary amount specified in the said paragraph, or a salary for tax services that are not the services involved in filing tax returns with the tax authorities, the amount paid for such services will be described along with an explanation of the nature of such services; additionally, the work hours invested by the external auditor in the provision of the said tax services will be specified;
 - (5) The principles involved in determining the professional fee paid to the external auditor with regard to the reporting year will be described, as well as the parties that approved such fees;
 - (6) The details required in paragraphs (2) through (4) will be presented separately with regard to the reporting year and with regard to the preceding reporting year, according to the timing of the provision of the services;
 - (7) In the event that the professional fee paid for the audit constitutes less than one half of the external auditor's total income from the corporation in the reporting year, the board of directors[report] will discuss the auditor's compliance with the independence rules that apply to him or her , and [the report] will [also] refer to the question of whether the board of directors intends to continue the contractual relationship with the

accountant under such circumstances; if it has been decided to continue the contractual relationship, the reasons for such a decision will be presented.

Disclosure regarding a consolidated corporation

2. If the corporation and a different corporation which is material to the first corporation (in this schedule – “an other corporation”) have been consolidated or proportionately consolidated, the matters described in section 1 of this Schedule shall be provided with respect to all the other corporations which are audited by the same external auditor.

Changes in the fee or regarding the work hours

3. If a substantial change takes place during the reporting year or during the reporting year, in relation to the preceding reporting year, [and the change] is one of the following, such change will be specified and the board of directors' explanations regarding such will be presented:
 - (1) A change in the principles involved in determining the external auditor's professional fee or regarding the parties that approve the external auditor's professional fee;
 - (2) A reduction in the external auditor's overall professional fee for the auditing services and for services related to the audit; for this purpose, only changes that have been made regarding the professional fee which are derived from changes in the rates of exchange between the currency involved in the contractual relationship and the reporting currency in the financial statements will not be taken into consideration;
 - (3) A reduction of work hours.

Replacement of the external auditor

4. If the external auditor has been replaced during the reporting year, the change and the date thereof will be indicated; if the change involves circumstances which should be made known to the holders of the corporation's securities, the circumstances of the change will be described along with the board of directors' comments regarding such circumstances.

Effective date and transition provisions for the 2007 Amendment

1. The provisions of the 2007 Amendment, other than the provisions of sub-sections (b) through (e), shall take effect with respect to the periodic report for the period ending on 31 December 2006 (hereinafter: “the effective date”), although with

regard to section 2f(a)(4)(d) of the Second Schedule as worded after the Amendment, the corporation is not required to provide data for dates preceding the effective date.

Section 2f(a)(9) and g(1) through (5) of the Second Schedule, as worded after the Amendment, and section 5(f) of the Fourth Schedule, as worded after the Amendment, shall take effect with respect to the periodic report for the period ending on 31 December 2007.

Section 2g(4),(6) and (7) of the Second Schedule, as worded after the Amendment, shall take effect with respect to the periodic report for the period ending on 31 December 2008.

2. During the first reporting year after the effective date, the corporations will be required to provide information as required in section 2f and g of the Second Schedule of the main regulations as these were worded prior to the effective date, in addition to [the information] required pursuant to the provisions of sections 2(2) and (3) of these regulations and in the Second Schedule of the main regulations, as amended in section 7 of these regulations.

21 June, 1970
Pinhas Sapir
Minister of Finance