

A UNIQUE TIME WITH SOME EXCITING NEWS

Dear Business Partner,

It has been almost six months since the business partner conference in New Orleans, and as promised I am providing a semi-annual address and update. I have very exciting news to present and in particular I have the distinct privilege of doing so in the year that celebrates Tadiran's 50th anniversary. Fifty years in the telecommunications industry is no small achievement and it is with great honor that I am able to celebrate this historic achievement with all of you. It is your loyalty and unwavering commitment to Tadiran that has made this historic achievement possible.

Much has transpired since the business partner conference in October 2009 and as such it is appropriate to begin by addressing noteworthy issues that may have caused concern for some in the business partner community. Covered is a myriad of topics, including Tadiran's business plan progress, as it relates to the product roadmap.

This year brought unique challenges for Tadiran, more than was anticipated in October 2009 when I announced a sharpened strategy and plan for growth. Tadiran has undergone many unforeseen changes and a segment of this update is dedicated to providing the details of those changes.

Before detailing the changes at Tadiran, a synopsis on the economic crisis in the United States and abroad is presented. For several years ample liquidity and low interest rates fuelled an economic upturn. The burst of the bubble in real estate markets, especially in the United States, triggered a rapid decline in asset prices. As a result, financial institutions that had been heavily financed with debt had to sell assets to support their liquidity position. The result was a vicious circle of deleveraging, which created strong further downward pressure on equities, corporate bonds, real estate and private equity.



DAVID SOPKO - CEO

RESPONDING TO ECONOMIC CHANGES

This culminated in a wave of bank failures, solvency problems, government bailouts and (partial) nationalization of a number of financial institutions, with significant implications for everyone, including fundamentally healthy companies.

The purpose for the national economic crisis review is to draw attention to the significance of it, and its widespread impact. The economic crisis left few companies untouched, and Tadiran and our business partners are no exception. During this period of economic crisis in the U.S. Tadiran offered extensive product promotions, increased discounts for its products and services, recently relocated its North American Headquarters, and its ownership will change. This culmination of events - U.S. economic crisis and recent changes at Tadiran - makes the timing for this semi-annual address extremely important and appropriate.

In June 2009 I accepted the position as Acting CEO for Tadiran Telecom, Inc and the status of Tadiran was stable. Stable, in this case, meant, Tadiran Telecom, Inc. planned to continue occupying the premises it was currently leasing, planned to permanently appoint Zeev Aviv as the CEO of Tadiran Telecom, LTD (Parent Company to Tadiran Telecom, Inc.) and planned to permanently appoint me as the CEO of Tadiran Telecom, Inc. At that time, Tadiran was moving forward with an aggressive business plan which included strengthening relationships with its existing business partners while simultaneously rebuilding relationships with previous business partners and establishing new relationships with new business partners.

In November 2009 I learned the owners of the property Tadiran Telecom Inc. leased for its North American Headquarters decided to sell the property. The sale was swift and the new owner intends to occupy the premises. This is the sole reason Tadiran Telecom Inc. had to relocate its North American Headquarters. The property owners were heavily invested in U.S. commercial real estate and decided to begin selling-off their U.S. assets as a result of the continued decline of the U.S. commercial real-estate market.

While Tadiran was preparing to relocate and ensure absolute transparency of the move, to our business partners, we intently monitored the status of the economy while heeding the concerns from our business partner community regarding widespread restrictive lending practices by financial institutions. Many of our business partners' credit lines were restricted. Tadiran's response was swift, consistent and included increased discounts, aggressive product promotions, free software licenses, and extended warranties at minimal or no additional cost. I felt it was Tadiran's responsibility to demonstrate our commitment to our loyal business partners - through actions that directly supported and promoted a competitive market advantage - during the time when you needed us most.

We took these actions because we knew businesses were suspending and/or delaying capital purchases and financial institutions were reducing credit lines, denying new credit on existing accounts, increasing rates and denying new loans for new accounts. While these actions on the part of Tadiran had a direct impact to our bottom line, it was the correct course of action to demonstrate Tadiran's commitment to its loyal business partners during troubled economic times.

Before presenting the activities of Tadiran's business plan, I want to address the executive management of Tadiran. Earlier this year Tadiran announced the appointment of Moshe Cohen as CEO and President of Tadiran Telecom LTD. Moshe Cohen succeeded Zeev Aviv and Moshe is in the process of acquiring, in a private purchase, Tadiran with all of its wholly-owned subsidiaries to include Tadiran Telecom, Inc. In March 2010, Moshe Cohen permanently appointed me as CEO of Tadiran Telecom, Inc. In March 2010, Barry Slyper stepped down from his position as Vice President of Commercial Sales. We want to use this opportunity to thank Barry for his hard work over the last four years. Barry has chosen to pursue other interests and we wish him well in his future endeavors. Tadiran has known, for some time, of Barry's decision and as such we have conducted an exhaustive search for the right candidate to succeed Barry. Tadiran will soon make an announcement regarding the successor to Barry Slyper.

Unquestionably, change can create uncertainty, yet change is inevitable and it is a natural course of business. Change should not be viewed as negative, yet often is interpreted in exactly that manner. It is for this reason, I have taken great care to provide extensive details regarding the changes that have occurred at Tadiran since this past October.

Despite the aforementioned changes, our plan is progressing. As promised, Tadiran is in the process of development for a new family of fully-featured SIP phones. Tadiran Marketing will release information on the new line of phones this year. Highlights of the new family of phones include: 100% Desi-less, High-Definition Audio, 1GB Ethernet, IPv4/IPv6 compatible, video conferencing, 802.1x multi-suppliant authentication, color backlit display and provisioning. Other product developments include a partnership to bring you a world-class contact center application, as well as a world-class digital recording and voice analytics solution, a new pure-IP soft switch rivaling the feature richness of the Coral. This is only a sampling of the new products and solutions you can expect from Tadiran this year. This aggressive product development and release strategy is a direct result of feedback received from our partners; you spoke, we listened!

Tadiran is fortunate and thankful for the continued loyalty of our customers. Tadiran customer confidence is our license to operate. Our customers entrust us with their business and expect quality and value for their investments. Our business principles, the backbone of our approach to corporate responsibility, give us guidance on our responsibilities towards our customers. These principles are the basis upon which customer confidence, and consequently, business partner confidence is built.

On behalf of both the Executive Board and Moshe Cohen, I am taking this opportunity to express my sincere gratitude to our employees. Their efforts, particularly during the relocation and strenuous economic time, demonstrate that they take their responsibility to you very seriously every day; they are at the heart of this company.

Tadiran's focus, now and well into the future will be to concentrate on the basics of customer relationship management by maintaining your confidence. We will do this by reducing the complexity of products and offering streamlined state-of-the-art, world-class unified communications solutions and services. For the long-term, improving the fundamentals of our business and providing quality products and services are the highest on our agenda. We will continuously look at our business with fresh eyes to apply further focus in developing innovative, quality, reliable competitive products and solutions.

Good things can come from challenging situations. We have steered the business through these turbulent times focusing on today's priorities, with attention to the future with the discipline that these exceptional times required.

Sincerely,

David J. Sopko

CEO

Tadiran Telecom, Inc.

