

Consolidated Balance Sheets

In terms of shekels of September 2003

	September 30 2003	September 30 *2002	December 31 *2002
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Current assets			
Cash and cash equivalents	281,828	213,066	283,983
Short-term deposits and investments	49,106	112,316	40,468
Marketable securities	195,494	167,291	159,292
Current maturities and loans	559,005	712,969	543,155
Trade receivables	363,537	361,740	426,508
Other receivables	108,651	142,309	131,166
Inventory and work-in-process	274,878	235,385	248,859
	<u>1,832,499</u>	<u>1,945,076</u>	<u>1,833,431</u>
Real estate	<u>623,152</u>	639,414	630,128
Long-term investments and other debits			
Investments in investee and other companies	953,840	1,304,868	1,132,378
Deposits and loans	60,101	92,037	93,176
	<u>1,013,941</u>	<u>1,396,905</u>	<u>1,225,554</u>
Fixed assets	<u>795,558</u>	725,328	758,708
Other assets and deferred expenses, net	<u>102,366</u>	116,803	112,128
Assets attributed to discontinued operation	<u>-</u>	215,538	244,558
	<u>4,367,516</u>	<u>5,039,064</u>	<u>4,804,507</u>

Consolidated Balance Sheets

In terms of shekels of September 2003

	September 30 2003	September 30 *2002	December 31 *2002
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Current liabilities			
Short-term credit from banks and others	1,291,534	1,377,150	1,464,599
Trade payables	190,061	168,290	183,484
Other payables	281,201	281,108	218,483
Customer deposits	77,701	83,960	115,558
	<u>1,840,497</u>	<u>1,910,508</u>	<u>1,982,124</u>
Long-term liabilities			
Liabilities to banks and others	1,380,213	1,402,747	1,317,888
Debentures	220,098	238,032	239,533
Debentures convertible into shares	300,202	339,239	292,845
Liability for employee severance benefits, net	10,695	11,197	9,563
Deferred taxes	7,372	14,887	14,971
	<u>1,918,580</u>	<u>2,006,102</u>	<u>1,874,800</u>
Liabilities attributed to discontinued operation	<u>-</u>	<u>169,082</u>	<u>198,019</u>
Minority interest	<u>403,466</u>	<u>671,626</u>	<u>546,890</u>
Receipts on account of options issued by subsidiaries, net	<u>29,957</u>	<u>31,573</u>	<u>31,718</u>
Shareholders' equity	<u>175,016</u>	<u>250,173</u>	<u>170,956</u>
	<u>4,367,516</u>	<u>5,039,064</u>	<u>4,804,507</u>

* Reclassified, including in respect of discontinued operation.

Itzhak Shrem
Chairman of the Board of Directors

Yair Fudim
President and
Member of Board of Directors

Regina Unger
Vice President

Date of signature: November 27, 2003

Consolidated Statements of Operations

In terms of shekels of September 2003

	Nine months ended		Three months ended		Year ended
	September 30 2003 (Unaudited) NIS thousands	September 30 *2002 (Unaudited) NIS thousands	September 30 2003 (Unaudited) NIS thousands	September 30 *2002 (Unaudited) NIS thousands	December 31 *2002 (Audited) NIS thousands
Income					
Income from sales, services consulting, management and underwriting services	1,038,735	1,000,837	346,151	352,280	1,346,903
Income from marketable securities defined as a current investment, net	68,188	-	34,699	-	-
Income from long-term investments, loans and assets, net	-	55,728	12,088	358	-
Company's equity in earnings of investee companies, net	5,971	-	-	-	-
Total income	1,112,894	1,056,565	392,938	352,638	1,346,903
Expenses					
Cost of sales and services	758,289	702,687	257,414	250,482	943,883
Selling and marketing	120,927	127,297	41,887	44,092	168,319
General and administrative	176,690	178,815	55,361	60,331	240,645
Management fees and bonuses to Interested parties	3,401	3,110	1,154	(24)	4,623
Loss on long-term investments, loans and assets, net	368	-	-	-	87,728
Company's equity in losses of investee companies, net	-	24,548	3,498	15,137	52,480
Loss on marketable securities defined as a current investment, net	-	27,456	-	1,642	17,267
Financing expenses, net	125,672	30,039	49,715	31,315	84,303
Total expenses	1,185,347	1,093,952	409,029	402,975	1,599,248
Loss from operations before income tax	(72,453)	(36,247)	(16,091)	(50,337)	(252,345)
Income tax	(11,387)	(16,092)	(4,966)	(1,303)	(16,444)
Loss after income tax	(83,840)	(52,339)	(21,057)	(51,640)	(268,789)
Minority interest in results of subsidiaries, net	57,684	31,024	13,817	33,659	168,921
Loss from continuing operation	(26,156)	(21,315)	(7,240)	(17,981)	(99,868)
Earnings from discontinued operation	1,843	971	-	243	1,130
Loss for the period	(24,313)	(20,344)	(7,240)	(17,738)	(98,738)
Loss per NIS 1 par value of share capital:					
Basic and diluted loss per share from continuing operation	(1.62)	(1.45)	(0.41)	(1.24)	(6.82)
Basic and diluted earnings per share from discontinued operation	0.11	0.07	-	0.02	0.08
Basic and fully diluted net loss per share	(1.51)	(1.39)	(0.41)	(1.22)	(6.74)

* Reclassified, including in respect of discontinued operation.

Statements of Changes in Shareholders' Equity

In terms of shekels of September 2003

	Share capital	Share premium and capital reserves	Adjustments from the translation of financial statements of autonomous investees of an affiliate	Loans to employees for the purchase of shares	Company shares held by a subsidiary and by the Company	Surplus (accumulated loss)	Total
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>
Nine month period ended September 30, 2003 (unaudited)							
Balance at the beginning of the period (audited)	22,004	137,894	3,368	(3,201)	(4,604)	15,495	170,956
Purchase of Company shares by subsidiary	-	-	-	-	(106)	-	(106)
Issuance of shares	3,019	26,262	-	-	-	-	29,281
Changes in capital reserves in respect of investee Companies	-	(49)	-	-	-	-	(49)
Adjustments from the translation of financial statements of autonomous investees	-	-	(753)	-	-	-	(753)
Loss for the period	-	-	-	-	-	(24,313)	(24,313)
Balance at the end of the period (unaudited)	<u>25,023</u>	<u>164,107</u>	<u>2,615</u>	<u>(3,201)</u>	<u>(4,710)</u>	<u>(8,818)</u>	<u>175,016</u>
Three-month period ended September 30, 2003 (unaudited)							
Balance at the beginning of the period	25,023	164,122	(659)	(3,201)	(4,710)	(1,578)	178,997
Changes in capital reserves in respect of investee Companies	-	(15)	-	-	-	-	(15)
Adjustments from the translation of financial statements of autonomous investees	-	-	3,274	-	-	-	3,274
Loss for the period	-	-	-	-	-	(7,240)	(7,240)
Balance at the end of the period (unaudited)	<u>25,023</u>	<u>164,107</u>	<u>2,615</u>	<u>(3,201)</u>	<u>(4,710)</u>	<u>(8,818)</u>	<u>175,016</u>

Statements of Changes in Shareholders' Equity (cont'd)

In terms of shekels of September 2003

	Share capital	Share premium and capital reserves	Adjustments from the translation of financial statements of autonomous investees of an affiliate	Loans to employees for the purchase of shares	Company shares held by a subsidiary and by the Company	Surplus	Total
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>
Nine month period ended September 30, 2002 (unaudited)							
Balance at beginning of the period (audited)	22,004	137,718	1,398	(3,128)	(1,390)	114,233	270,835
Purchase of Company shares by subsidiary	-	-	-	-	(2,797)	-	(2,797)
Changes in capital reserves in respect of investee companies	-	64	-	-	-	-	64
Adjustments from the translation of financial statements of autonomous investees	-	-	2,415	-	-	-	2,415
Loss for the period	-	-	-	-	-	(20,344)	(20,344)
Balance at the end of the period (unaudited)	<u>22,004</u>	<u>137,782</u>	<u>3,813</u>	<u>(3,128)</u>	<u>(4,187)</u>	<u>93,889</u>	<u>250,173</u>
Three-month period ended September 30, 2002 (unaudited)							
Balance at beginning of the period (unaudited)	22,004	137,773	3,479	(3,128)	(3,138)	111,627	268,617
Purchase of Company shares by subsidiary	-	-	-	-	(1,049)	-	(1,049)
Changes in capital reserves in respect of investee companies	-	9	-	-	-	-	9
Adjustments from the translation of financial statements of autonomous investees	-	-	334	-	-	-	334
Loss for the period	-	-	-	-	-	(17,738)	(17,738)
Balance at the end of the period (unaudited)	<u>22,004</u>	<u>137,782</u>	<u>3,813</u>	<u>(3,128)</u>	<u>(4,187)</u>	<u>93,889</u>	<u>250,173</u>

Statements of Changes in Shareholders' Equity (cont'd)

In terms of shekels of September 2003

	Share capital	Share premium and capital reserves	Adjustments from the translation of financial statements of autonomous investees of an affiliate	Loans to Employees for the Purchase of shares	Company shares held by the Company and by a subsidiary	Surplus	Total
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>
Year ended December 31, 2002 (audited)							
Balance as at January 1, 2002 (audited)	22,004	137,718	1,398	(3,128)	(1,390)	114,233	270,835
Purchase of Company shares by a subsidiary	-	-	-	-	(3,214)	-	(3,214)
Changes in capital reserves in respect of investee companies	-	103	-	-	-	-	103
Revaluation of loans for the purchase of shares	-	73	-	(73)	-	-	-
Adjustments from the translation of financial statements of autonomous investees	-	-	1,970	-	-	-	1,970
Loss for the year	-	-	-	-	-	(98,738)	(98,738)
Balance at the end of the year (audited)	<u>22,004</u>	<u>137,894</u>	<u>3,368</u>	<u>(3,201)</u>	<u>(4,604)</u>	<u>15,495</u>	<u>170,956</u>

Consolidated Statements of Cash Flows

In terms of shekels of September 2003

	Nine months ended		Three months ended		Year ended
	September 30 2003 (Unaudited) NIS thousands	September 30 *2002 (Unaudited) NIS thousands	September 30 2003 (Unaudited) NIS thousands	September 30 *2002 (Unaudited) NIS thousands	December 31 *2002 (Audited) NIS thousands
Cash flows generated by operating activities:					
Loss for the period	(24,313)	(20,344)	(7,240)	(17,738)	(98,738)
Adjustments to reconcile the loss to net cash flows generated by operating activities (Annex A)	(54,401)	91,982	(24,403)	110,687	131,672
Net cash inflow (outflow) generated by continuing operating activities	(78,714)	71,638	(31,643)	92,949	32,934
Net cash inflow generated by discontinued operating activities	14,274	16,477	-	2,914	25,367
Total net cash inflow (outflow) generated by operating activities	(64,440)	88,115	(31,643)	95,863	58,301
Cash flows generated by investing activities:					
Purchase of fixed assets, real estate, amounts charged to projects under construction and other assets	(101,959)	(64,895)	(10,248)	(13,594)	(85,252)
Proceeds from sale of fixed and other assets	18,173	15,957	7,218	13,796	18,064
Proceeds of short- term marketable securities, investments and deposits, net	69,261	117,741	91,223	166,505	198,544
Investments in investee and other companies (including through loans and capital notes), net	(121,313)	(292,210)	(32,620)	(112,721)	(283,140)
Changes in deposits and loans, net	91,254	(155,778)	5,328	(63,177)	(42,513)
Proceeds from sale of investments in investee and other companies	194,012	182,268	131,680	21,659	177,684
Initially fully or proportionately consolidated companies and acquisition of activities (Annex B)	-	1,374	-	(850)	6,628
Companies formerly proportionately consolidated initially fully consolidated (Annex C)	-	(9,962)	-	-	(9,628)
Companies formerly fully or proportionately consolidated no longer consolidated and activities sold (Annex D)	29,986	(142)	29,986	(142)	16,715
Dividend from investment companies and others	1,725	-	1,000	-	1,232
Net cash inflow (outflow) generated by continuing investing activities	181,139	(205,647)	223,567	11,476	(1,666)
Net cash inflow (outflow) generated by discontinued investing activities	2,041	(2,212)	-	(8,461)	(3,119)
Total net cash outflow generated by investing activities	183,180	(207,859)	223,567	3,015	(4,785)

* Reclassified, including in respect of discontinued operation.

Consolidated Statements of Cash Flows (cont'd)

In terms of shekels of September 2003

	Nine months ended		Three months ended		Year ended
	September 30 2003	September 30 *2002	September 30 2003	September 30 *2002	December 31 *2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Cash flows generated by financing activities:					
Acquisition of Company shares	(106)	(2,797)	-	(1,049)	(3,214)
Issuance of convertible debentures in company shares	16,617	-	-	-	-
Repayment of convertible debentures in company shares	(4,910)	-	-	-	-
Issuance of debentures and convertible debentures by subsidiaries, net	35,990	90,446	-	-	90,446
Repayment of debentures and convertible debentures in subsidiaries	(52,018)	(13,239)	(24,104)	(4,543)	(62,692)
Liability in respect of financial lease	55,513	-	2,148	-	-
Dividend to minority	(270)	(1,927)	-	-	(4,167)
Issuance of marketable securities of subsidiaries	151	54,250	-	2,925	74,317
Receipt (repayment) of long-term loans and capital notes, net	(73,228)	130,682	(41,060)	(219,551)	36,988
Receipt (repayment) of short-term credit, net	(81,369)	(12,007)	(95,192)	64,641	18,942
Repayment of long-term loan received from the sellers of a subsidiary	-	(235,362)	-	-	(235,362)
Net cash inflow (outflow) generated by continuing financial activities	(103,630)	10,046	(158,208)	(157,577)	(84,742)
Net cash inflow (outflow) generated by discontinuing financial activities	(10,405)	(17,415)	-	(3,930)	8,975
Total net cash outflow generated by financing activities	(114,035)	(7,369)	(158,208)	(161,507)	(75,767)
Translation differences with respect to cash balances in autonomous investee companies	(950)	288	190	(225)	716
Increase (decrease) in cash and cash equivalents - from continuing activities	(2,155)	(123,675)	33,906	(53,377)	(52,758)
Balance of cash and cash equivalents at beginning of period	283,983	336,741	247,922	266,443	336,741
Balance of cash and cash equivalents at end of period	281,828	213,066	281,828	213,066	283,983

* Reclassified, including in respect of discontinued operation.

Consolidated Statements of Cash Flows (cont'd)

In terms of shekels of September 2003

	Nine months ended		Three months ended		Year ended
	September 30 2003	September 30 *2002	September 30 2003	September 30 *2002	December 31 *2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Annex A – Adjustments to reconcile loss to net cash flows generated by operating activities					
Income and expenses not involving cash flows:					
Earning from discontinued operation	(1,843)	(971)	-	(243)	(1,130)
Depreciation and amortization	57,634	53,279	20,021	16,964	77,177
Company's equity in the results of investee companies net of dividend received	5,647	35,441	4,493	23,679	64,162
Minority interest in results of subsidiaries, net	(57,684)	(31,024)	(13,817)	(33,659)	(168,921)
Loss (income) on marketable securities and deposits, net	(56,898)	30,608	(12,628)	3,105	26,518
Financing expenses (incomes) net	(4,606)	(40,388)	(3,411)	7,379	(22,240)
Deferred taxes, net	(4,488)	(8,404)	(3,355)	(11,103)	6,658
Increase (decrease) in liability for employee severance benefits, net	(767)	(380)	219	(579)	(4,888)
Loss (income) on sale of investments in subsidiaries and other companies and assets, net	3,461	(40,259)	(12,457)	3,665	97,819
Changes in asset and liability items:					
Decrease (increase) in trade and other receivables	2,281	28,981	14,413	47,812	(12,014)
Decrease (increase) in inventory and work-in-process, net	14,568	33,959	(1,473)	13,490	21,036
Increase (decrease) in trade and other payables	(11,706)	31,140	(16,408)	40,177	47,495
	(54,401)	91,982	(24,403)	110,687	131,672

* Reclassified, including in respect of discontinued operation.

Consolidated Statements of Cash Flows (cont'd)

In terms of shekels of September 2003

Annex B – Initially fully or proportionately consolidated companies and acquisition of activities

	Nine months ended		Three months ended		Year ended
	September 30 2003	September 30 2002	September 30 2003	September 30 2002	December 31 2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Working capital (excluding cash and cash equivalents)	-	(9,416)	-	429	(2,309)
Real estate, fixed and other assets	-	(40,472)	-	(371)	(232,239)
Long-term liabilities	-	5,550	-	61	53,521
Minority interest	-	11,126	-	-	10,704
Goodwill created on acquisition	-	(5,076)	-	(969)	(5,398)
Investments in affiliated companies, net		2,394	-	-	154,517
	-	(35,894)	-	(850)	(21,204)
Liability with respect to acquisition of activities	-	37,268	-	-	27,832
	-	1,374	-	(850)	6,628

Annex C – Companies formerly proportionately consolidated initially fully consolidated

	Nine months ended		Three months ended		Year ended
	September 30 2003	September 30 2002	September 30 2003	September 30 2002	December 31 2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Working capital (excluding cash and cash equivalents)	-	(1,832)	-	-	(1,847)
Fixed assets	-	(273)	-	-	(274)
Goodwill created on acquisition	-	(15,070)	-	-	(14,723)
Loan to proportionately consolidated company	-	7,213	-	-	7,216
	-	(9,962)	-	-	(9,628)

Consolidated Statements of Cash Flows (cont'd)

In terms of shekels of September 2003

Annex D – Companies formerly fully or proportionately consolidated no longer consolidated and activities sold

	Nine months ended		Three months ended		Year ended
	September 30 2003	September 30 *2002	September 30 2003	September 30 *2002	December 31 *2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Working capital, net (excluding cash and cash equivalents)	42,653	3,844	42,653	(977)	3,844
Long-term investments and debits	1,371	4,135	1,371	3,737	4,135
Fixed and other assets, net	15,006	27,136	15,006	14,130	27,136
Long-term liabilities	(6,127)	(7,457)	(6,127)	(6,338)	(7,457)
Minority interest	(25,150)	-	(25,150)	-	-
Balance of loans and investments	(10,665)	(12,310)	(10,665)	(12,312)	(12,310)
Capital gain on sale, net	12,898	64	12,898	1,618	64
Expenses involved in sale of investment	-	1,303	-	-	1,303
	<u>29,986</u>	<u>16,715</u>	<u>29,986</u>	<u>(142)</u>	<u>16,715</u>
Amount receivable in respect of sale of investment, net	-	(16,857)	-	-	-
	<u>29,986</u>	<u>(142)</u>	<u>29,986</u>	<u>(142)</u>	<u>16,715</u>

Annex E – Non-cash transactions

	Nine months ended		Three months ended		Year ended
	September 30 2003	September 30 2002	September 30 2003	September 30 2002	December 31 2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
1. Investment in subsidiary by issuance of capital	36,727	-	-	-	-
2. Sale of investee companies on credit	710	16,855	27	-	1,515
3. Purchase of fixed assets on Credit	4,686	4,668	967	4,668	4,718
4. Investment in investee company by issuance of capital in subsidiary	10,890	-	-	-	-
5. Dividend receivable from investee companies	2,115	1,665	2,115	1,665	1,845

* Reclassified, including in respect of discontinued operation.