

Discount Investment Corporation Ltd.

Consolidated Financial Statements as at September 30, 2007 (Unaudited)

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All these statements are translations from the Hebrew.

Discount Investment Corporation Ltd.

Board of Directors Report Accompanying The Financial Statements for the First Nine Months and Third Quarter of 2007

We are pleased to present the unaudited condensed financial statements of Discount Investment Corporation Ltd. for the third quarter and first nine months of 2007 which ended on September 30, 2007.

Discount Investment Corporation (the "Company"), a member of the IDB Group, is one of Israel's largest holding companies, which invests in companies that operate in a variety of areas. The Company together with its wholly owned subsidiaries ("DIC") generally invests in investee companies in a manner that vests in it influence on their direction and management. See the annex to the financial statements for details on the holdings of DIC.

1. Business Results

The Company is a holding company which mainly holds shares of investee companies. As such, its net earnings mainly include and are affected by the following components:

- The Company's share in the business results of investee companies, net.
- Net realization gains, adjustment of the value of investments and other non-recurring effects of the Company and its subsidiaries.
- The staff activity of the Company, which includes net financing expenses, general and administrative expenses and income from management fees.

The earnings of the Company may be highly volatile between the various reporting periods, mainly due to the timing of realizing investments by the Company and its investee companies, and also due to changes in the financing expenses of the Company and its investee companies, the amount of which is affected by the net amount of debt, the linkage bases of the debt and net financial assets and the rate of change in the Consumer Price Index and the exchange rate of the dollar in the reported period.

In the first nine months of 2007 the net earnings of the Company amounted to some NIS 1,478 million and the basic earnings per share amounted to some NIS 19.0, compared with earnings of some NIS 570 million and basic earnings per share of some NIS 7.5 in the first nine months of 2006. In the third quarter of 2007 the net earnings of the Company amounted to some NIS 94 million and the basic earnings per share amounted to some NIS 1.2, compared with earnings of some NIS 36 million and basic earnings per share of some NIS 0.5 in the third quarter of 2006.

Composition of the business results of DIC:

	<u>First nine months</u>		<u>Third quarter</u>		<u>Year</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
	<u>Unaudited</u>		<u>Unaudited</u>		<u>Audited</u>
	N I S		m i l l i o n s		
DIC's share in the business results of investee companies	536	339	25	78	484
Gain from realization and adjustment of investments					
less reductions, net	1,256	417	292	22	453
Financing, management and other expenses, net	(314)	(186)	(223)	(64)	(236)
Net earnings	1,478	570	94	36	701
Basic earnings per share (NIS)	19.0	7.5	1.2	0.5	9.2

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1.1 DIC's share in the business results of investee companies

	DIC's share in the earnings (loss) for the first nine months			DIC's share in the earnings (loss) for the third quarter		
	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>2007</u>	<u>2006</u>	<u>Change</u>
	N I S		m i l	l i o n s		
Cellcom	427	336	91	159	99	60
Koor	318	2	316	202	2	200
G.V.T.	117	5	112	5	5	-
Super-Sol	82	46	36	12	15	(3)
Property and Building Corp.	71	54	17	15	17	(2)
Given Imaging	-	(2)	2	-	-	-
Elron	(92)	(60)	(2)	(36)	(17)	(19)
Other companies	5	20	(15)	(1)	2	(3)
Original excess cost	(422)	(62)	(360)	(331)	(45)	(286)
Total	536	339	197	25	78	(53)

* The data for the third quarter and the first nine months of 2007 include the amortization of excess cost in the amount of some NIS 296 million in respect of the original difference attributed on the books of the Company to the holding of Koor in ECI that was realized by Koor during the quarter.

1.2 Realization of investments and reductions

	<u>First nine months</u>			<u>Third quarter</u>	
	<u>2007</u>	<u>2006</u>		<u>2007</u>	<u>2006</u>
	N I S	m i l		l i o n s	
Gain from realization and adjustment of investments less reductions, net	1,256	417		292	22

In the third quarter of 2007 this item mainly included as follows: A capital gain in the amount of some NIS 147 million from the sale of 3% of the issued share capital of Cellcom and a gain of some NIS 153 million from the sale of 5.7% of the issued share capital of Super-Sol.

In the third quarter of 2006 this item mainly included as follows: A capital gain in the amount of NIS 30 million after tax in respect of the sale of Scailex.

1.3 Management, financing and other expenses, net

	<u>First nine months</u>			<u>Third quarter</u>	
	<u>2007</u>	<u>2006</u>		<u>2007</u>	<u>2006</u>
	N I S	m i l		l i o n s	
Management, tax and other expenses, net	(47)	(35)		(5)	(12)
Financing expenses, net	(267)	(151)		(218)	(52)
Total management, financing and other expenses, net	(314)	(186)		(223)	(64)

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In the third quarter of 2007 the main effects on this item were as follows: A significant increase in net financing expenses mainly as a result of the effect of the increase in the CPI in the quarter on the linked liabilities of DIC and the effect of the decrease in the exchange rate of the dollar in the quarter on the dollar balances of DIC.

2. Segment Data

2.1 Analysis of business results according to business segments

	<u>First nine months</u>		<u>Third quarter</u>		<u>Year</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
	<u>Unaudited</u>		<u>Unaudited</u>		<u>Audited</u>
	N I S		m i l l i o n s		
Communications	516	313	151	95	410
Technology	(72)	(58)	(39)	(23)	(32)
Retail and services	82	47	12	16	72
Real estate	71	54	15	17	98
Industry	(61)	(17)	(114)	(27)	(64)
	536	339	25	78	484

2.1.1 Communications segment

	<u>First nine months</u>		<u>Third quarter</u>		<u>Year</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
	<u>Unaudited</u>		<u>Unaudited</u>		<u>Audited</u>
	N I S		m i l l i o n s		
Contribution of the segment	516	313	151	95	

The change in the results of the segment in the third quarter of 2007 compared with the corresponding quarter of last year is due to the increase in the Company's share in the business results of Cellcom notwithstanding the decrease in the Company's holding in Cellcom between the quarters.

Presented below is a brief description of the business activity of the principal company in the segment in the reported period:

Cellcom (held at the rate of 56%), Israel's largest cellular communication services provider, reported the following business results:

	<u>First nine months</u>		<u>Increase</u>	<u>Third quarter</u>		<u>Increase</u>
	<u>2007</u>	<u>2006</u>	<u>(decrease)</u>	<u>2007</u>	<u>2006</u>	<u>(decrease)</u>
	NIS millions		%	NIS millions		%
Revenues	4,466	4,191	7	1,572	1,467	7
EBITDA	1,633	1,429	14	559	503	11
Operating profit	1,058	802	32	366	297	23
Financing expenses	(137)	(128)	7	(75)	(53)	42
Net earnings	690	420	64	270	132	105

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The increase in the revenues of Cellcom in the third quarter of 2007 compared with the corresponding quarter of last year is due mainly to an increase in revenues from services. This increase is attributed to an increase of 9% in the use of incoming and outgoing air time as a result of an increase in the number of Cellcom's subscribers, an increase in average customer use and an increase in income from content and added value services (including SMS). The improvement in the operating profit of Cellcom compared with the corresponding quarter of last year is mainly a result of the aforementioned increase in revenues. The increase in net earnings is a result of the improvement in the operating profit and the cancellation of a provision for taxes in the amount of some NIS 72 million in the third quarter of 2007.

According to its reports, Cellcom acquired 57 thousand new customers, net, in the third quarter of 2007, and as at the end of the third quarter of 2007 it has 3.02 million customers.

2.1.2 Technology segment

	<u>First nine months</u>		<u>Third quarter</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	N I S m i l l i o n s			
Contribution of the segment	(72)	(58)	(39)	(23)

The deterioration in the results of the segment in the third quarter of 2007 compared with the corresponding quarter of last year is due to the deterioration in the business results of Elron.

Presented below is a brief description of the business activity of the principal companies in the segment in the reported period:

The information presented below in respect of Elron and Given Imaging is based on Israeli accounting principles.

A. Elron (held at the rate of 49%) reported the following business results:

	<u>First nine months</u>		<u>Third quarter</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$ m i l l i o n s			
Loss	(13)	(14)	(16)	(4)

In the third quarter of 2007 the main effect on the results of Elron was as follows: Its share in losses of investee companies.

In the third quarter of 2006 the main effect on the results of Elron was as follows: Its share in losses of investee companies.

B. Given Imaging (held 16% directly, and 28% directly and indirectly) reported the following business results:

	<u>First nine months</u>		<u>Third quarter</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$ m i l l i o n s			
Sales	79	68	28	24
Net earnings (loss)	2	(3)	2	1

The results of Given Imaging in the third quarter of 2007 were mainly affected by an increase in its revenues and an improvement in the gross margin.

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2.1.3 Retail and services segment

	<u>First nine months</u>		<u>Third quarter</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	N I S m i l l i o n s			
Contribution of the segment	82	47	12	16

The decrease in the results of the segment in the third quarter of 2007 compared with the corresponding quarter of last year is due to the decrease in the Company's share in the earnings of Super-Sol following the decrease in the rate of holding.

Presented below is a brief description of the business activity of the principal company in the segment in the reported period:

Super-Sol (held at the rate of 40%*) reported the following business results:

	<u>First nine months</u>		<u>Increase (decrease)</u>	<u>Third quarter</u>		<u>Increase (decrease)</u>
	<u>2007</u>	<u>2006</u>		<u>2007</u>	<u>2006</u>	
	NIS millions		%	NIS millions		%
Revenues	7,356	6,685	10	2,561	2,378	8
Gross profit	1,955	1,772	10	683	631	8
Operating profit	315	203	55	117	73	60
Net earnings	151	79	91	26	26	-

Super-Sol achieved an improvement in its business results for the third quarter of 2007 compared with the corresponding quarter of last year. Sales increased by 8% and included an increase of 6.2% in same store sales. The increase in gross profit is due to an increase in sales with no change in the gross margin. The improvement in the operating profit is due to the increase in the gross profit which was partly reduced by a slight increase in selling, marketing, general and administrative expenses.

* The holding of DIC in Super-Sol includes a relative part of the shares of Super-Sol that are held by a wholly owned subsidiary of Super-Sol.

2.1.4 Real estate segment

	<u>First nine months</u>		<u>Third quarter</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	N I S m i l l i o n s			
Contribution of the segment	71	54	15	17

Presented below is a brief description of the business activity of the principal company in the segment in the reported period:

Property & Building Corporation (held at the rate of 61%) reported the following business results:

	<u>First nine months</u>		<u>Increase (decrease)</u>	<u>Third quarter</u>		<u>Increase (decrease)</u>
	<u>2007</u>	<u>2006</u>		<u>2007</u>	<u>2006</u>	
	NIS millions		%	NIS millions		%
Revenues	779	629	24	354	208	70
Net earnings	127	85	49	31	26	19

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The improvement in the results of Property & Building in the third quarter of 2007 compared with the corresponding quarter of last year is due to an increase in revenues from income generating assets and an increase in the fair value of investment property, which was reduced by an increase in financing expenses.

2.1.5 Industry segment

	<u>First nine months</u>		<u>Third quarter</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	N I S m i l l i o n s			
Contribution of the segment	(61)	(17)	(114)	(27)

The deterioration in the results of the segment in the third quarter of 2007 compared with the corresponding quarter of last year is due to the loss the Company recorded in respect of the sale of the holding of Koor in ECI. This loss includes the share of the Company in the gain that was recorded by Koor net of the excess cost on the books of the Company that is attributed to the holding of Koor in ECI.

Koor (held at the rate of 45%) reported the following business results:

	<u>First nine months</u>		<u>Third quarter</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	N I S m i l l i o n s			
Koor's share in the results of investee companies, net	244	122	13	32
Gain from realization of investments net of provisions for impairment, net	599	5	539	-
Management, financing and other expenses, net	(106)	(112)	(90)	(25)
Net earnings	737	15	462	7

The improvement in the business results of Koor in the third quarter of 2007 compared with the corresponding quarter of last year is due to a capital gain of some NIS 514 million on the sale of its holding in ECI.

Condensed business results of Makhteshim Agan (39% held by Koor):

	<u>First nine months</u>		<u>Increase (decrease)</u>	<u>Third quarter</u>		<u>Increase (decrease)</u>
	<u>2007</u>	<u>2006</u>		<u>2007</u>	<u>2006</u>	
	NIS millions		%	NIS millions		%
Revenues	1,605	1,360	18	496	408	22
Gross profit	551	475	16	164	137	20
Operating profit	251	194	29	63	44	43
Financing expenses	38	33	15	15	7	114
Net earnings	158	122	29	39	24	62

The improvement in the results of Makhteshim Agan in the third quarter of 2007 compared with the corresponding period of last year is due to a number of positive trends: a. An increase in prices of agricultural products that caused an increase in the consequential demand for products of Makhteshim Agan; b. Relatively comfortable weather conditions in most of the geographical areas in

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which Makhteshim Agan operates that led to higher than usual demand for plant protection materials and contributed to the recovery of the market compared to its situation in 2006, which was affected by hard weather conditions; c. A considerable increase in the sale of products in the southern hemisphere, mainly Brazil, as a result of the considerable growth in sown areas and the demand for plant protection materials, d. Makhteshim Agan reports its results in dollars, and therefore the strengthening of the currencies (mainly the euro and the real) in relation to the US dollar had a positive effect of increasing its revenues even though the strengthening of the shekel led to an increase in local expenses in Israel.

3. Major Changes in the Holdings of the Company and Investee Companies in the Third quarter of 2007

The major changes are described in detail in Note 2C of the Company's financial statements and include the following changes which are particularly noteworthy:

- 3.1** In July 2007 the Company purchased all the holdings of S.H. Sky Investments in Netvision (11.6%) for the price of NIS 180 million. As a result of the said purchase, the holding of the Company in Netvision increased to 35%. Further details on this matter are provided in Note 2C1 of the financial statements.
- 3.2** In July 2007, ECI signed a merger agreement by which ECI would be fully sold for the price of \$ 1.2 billion. The transaction was completed in September 2007. Upon the completion of the transaction Koor received the amount of \$ 330 million in consideration of its entire holding in ECI (about 28%), and recorded on its books a gain in the amount of NIS 514 million. As a result, the Company recorded a loss in the amount of NIS 70 million, which takes into account the share of the Company in the gain Koor recorded as aforementioned, net of the original difference attributed on the books of the Company to the holding of Koor in ECI.
- 3.3** In July 2007 the Company purchased shares of Koor for the price of NIS 129 million, following which the Company's holding in Koor increased to 45%.
- 3.4** In August 2007 the Company entered into an agreement with Praxair Inc. to buy its entire holding (about 50%) in Maxima Air Separation Center, a 24% investee of the Company, for the price of US\$ 24 million. The transaction is subject to the various approvals required by law, including the approval of the general shareholders' meeting of Maxima and the approval of the Commissioner of Restrictive Trade Practices.
- 3.5** In September 2007 the Company sold 3% of the issued share capital of Cellcom for the price of NIS 286 million. As a result, the Company recorded a gain in the amount of NIS 147 million and its holding in Cellcom decreased to 56% of the issued share capital and 61.5% of the voting rights. In the sale agreement, the Company undertook to not sell shares of Cellcom for a period of 120 days from the date of completing the transaction (September 24, 2007).
- 3.6** Further to that mentioned in Paragraph a of Note 2A5 of the Company's financial statements regarding the Company's agreement to sell 19% of the issued share capital of Super-Sol in two phases, in September 2007 the Company signed an additional agreement, by which the parties moved up execution of the second phase of the transaction from the original date of June 2008 to September 2007. As a result, in September 2007 the Company sold 5.7% of the issued share capital of Super-Sol for the price of \$ 65.6 million. Following this, the Company recorded a gain of NIS 153 million and its

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holding in Super-Sol decreased to 40% (this rate includes a relative part of the shares of Super-Sol that are held by a wholly owned subsidiary of Super-Sol). See Note 2C5 of the Company's financial statements for more details.

- 3.7** Further to that mentioned in Paragraph b of Note 2B2 of the Company's financial statements regarding the binding memorandum that was signed between IDB Development Corporation and a subsidiary equally owned by Property & Building and IDB Development Corporation with Elad regarding a joint venture for a real estate project in Law Vegas, in August 2007 the purchase of the real estate in Las Vegas was completed. The project is anticipated to include a prestigious hotel, casino, modern commercial center and exclusive residential towers over a total built area of 1.5 million square meters that will be built in a number of stages. The acquisition was executed by an entity held jointly and in equal parts by the subsidiary and Elad. The investment in the acquisition of the real estate amounted to \$ 1.24 billion. For purposes of the acquisition, the project company took a loan in the amount of \$ 625 million. The loan is for one year and can be extended for two periods of half a year each, under certain circumstances. The balance of the investment, in the amount of \$ 600 million, was financed by the parties. The investment in the various stages of the project is anticipated to amount to an additional cost of \$ 5-7 billion, which will be financed by shareholders' equity and external financing, and execution of the project is anticipated to take four to five years. Further details on this matter are provided in the Company's financial statements in Paragraph b of Note 2C4.

4. Major Events Succeeding the Date of the Balance Sheet

The major events are described in detail in Note 4 of the Company's financial statements and include the following events which are particularly noteworthy:

- 4.1** In October 2007 the Company published a shelf registration offer, in the framework of which it issued 4,320,000 shares and 4,320,000 options for the price of NIS 540 million. Each option is exercisable into one share as from the date of issuance until December 2, 2007 for the price of NIS 125. For further details see Note 4A of the Company's financial statements.
- 4.2** In November 2007 Property & Building issued, by means of rights, 1.7 million ordinary shares for the total price of NIS 844 million, net, in accordance with its shelf registration offer from October 2007. The Company participated in its entire share of the said issuance of rights, and it purchased additional rights to purchase shares of Property & Building in the course of the stock exchange trade in such rights. In total the Company paid the amount of NIS 666 million for its share in the issuance of rights and for the additional rights and their exercise into shares, and the Company's holding in Property & Building increased to 65%.
- 4.3** In October 2007 the Company purchased shares of Koor for the price of NIS 71 million. Following the said purchase the Company's holding in Koor increased to 46%.
- 4.4** On the date of approval of the financial statements the Company's Board of Directors decided to distribute a cash dividend in the amount of NIS 360 million. The dividend will be distributed on December 24, 2007.

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5. Financial Position and Financing Sources

5.1

	As at September 30, <u>2007</u> N I S	As at December 31, <u>2006</u> m i l l i o n s
Total assets in the consolidated balance sheet	29,694	22,964
Investments in affiliated and other companies in the consolidated balance sheet	4,965	3,657
Shareholders' equity	5,197	5,006
Surplus of current assets over current liabilities in the consolidated balance sheet	4,721	1,195
Surplus of financial liabilities over financial assets of DIC	2,620	3,080

5.2

	<u>First nine months</u>		<u>Third quarter</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	N I S m i l l i o n s			
Proceeds from the realization of investments of DIC	2,683	1,509	550	372
Dividends from investee companies of DIC	311	3,703	186	168
Dividends distributed	1,716	811	900	549
Investments in investee companies of DIC	448	1,893	310	1,799

6. Report Regarding Exposure to and Management Methods of Market Risks

6.1 The Company

In the reported period there were no material changes in the Company's exposure to market risks and in the methods of managing such risks in relation to the Company's report on this matter in the directors' report of the Company for the second quarter of 2007 that was published on August 20, 2007. The increase in the CPI and the decrease in the exchange rate of the dollar accordingly had a material effect of increasing the financing expenses of the Company in the third quarter of 2007.

A. The Company does not manage its investee companies' risks. Below is the linkage balance and derivatives' positions of DIC as at September 30, 2007 for which the Company manages the currency exposure.

B. Linkage balance of DIC as at September 30, 2007 (in NIS millions):

	Linked to the Consumer Price Index	In dollars or linked thereto	Unlinked	Non- monetary items	Total
<u>Assets</u>					
Investments in investee and other companies*	-	-	-	8,075	8,075
Long-term deposits and loans (including maturities)	58	-	-	-	58
Fixed and other assets	-	-	-	14	14
Current assets	161	1,072	1,773	-	3,006
Total assets	219	1,072	1,773	8,089	11,153

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	Linked to the Consumer Price Index	In dollars or linked thereto	Unlinked	Non- monetary items	Total
<u>Liabilities</u>					
Long-term liabilities (including maturities)	5,391	80	39	17	5,527
Current liabilities	143	5	281	-	429
Total liabilities	5,534	85	320	17	5,956
Assets less liabilities, net	(5,315)	987	1,453	8,072	5,197

* Including loans to investee companies.

C. Derivatives' positions of DIC as at September 30, 2007 (in NIS millions):

	<u>CPI/NIS</u>			
	<u>Par value</u>	<u>Fair value</u>	<u>Par value</u>	<u>Fair value</u>
	<u>Up to one year</u>		<u>Over one year</u>	
	<u>Long</u>	<u>Long</u>	<u>Long</u>	<u>Long</u>
1. Futures contracts for hedging purposes - not recognized for accounting purposes (1)	2,085	19	100	(1)
(1) These contracts are intended to protect CPI linked liabilities of DIC, such that if the CPI were to rise at a higher rate than that provided in the contract, DIC would receive the difference and in the reverse case DIC would pay the difference.				

	<u>Dollar/NIS</u>			
	<u>Up to one year</u>			
	<u>Par value</u>		<u>Fair value</u>	
	<u>Long</u>	<u>Short</u>	<u>Long</u>	<u>Short</u>
2. Derivatives for hedging purposes – not recognized for accounting purposes: Future purchases of dollars	185	185	(1)	-

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D. Consolidated linkage balance as at September 30, 2007 (in NIS millions):

	Linked to the Consumer Price Index	In dollars or linked thereto	In euro or linked thereto	In other foreign currency or linked thereto	Unlinked	Non- monetary items	Shares and share-linked investments	Total
Assets								
Investments in investee and other companies and loans	-	917	90	149	-	3,809	-	4,965
Long-term deposits and loans (including maturities)	131	-	-	-	485	13	-	629
Fixed and other assets	-	-	-	-	10	14,112	-	14,122
Current assets	447	1,307	15	8	6,952	1,228	21	9,978
Total assets	578	2,224	105	157	7,447	19,162	21	29,694
Liabilities								
Minority interest in the equity of subsidiaries	-	-	-	-	-	3,156	-	3,156
Long-term liabilities (including maturities)	14,483	1,114	-	71	584	843	-	17,095
Current liabilities	361	84	1	-	3,763	37	-	4,246
Total liabilities	14,844	1,198	1	71	4,347	4,036	-	24,497
Assets less liabilities, net	(14,266)	1,026	104	86	3,100	15,126	21	5,197
Difference as at December 31, 2006	(10,531)	(747)	63	130	701	15,375	15	5,006

E. Consolidated derivatives' positions as at September 30, 2007 (in NIS millions):

	<u>CPI/NIS</u>			
	<u>Par value</u>	<u>Fair value</u>	<u>Par value</u>	<u>Fair value</u>
	<u>Up to one year</u>		<u>Over one year</u>	
	<u>Long</u>	<u>Long</u>	<u>Long</u>	<u>Long</u>
1. Futures contracts for hedging purposes - not recognized for accounting purposes (1)	3,290	935	34	(37)

Discount Investment Corporation Ltd.

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	<u>Dollar/NIS</u>			
	<u>Up to one year</u>			
	<u>Par value</u>		<u>Fair value</u>	
	<u>Long</u>	<u>Short</u>	<u>Long</u>	<u>Short</u>
2. Derivatives for hedging purposes – not recognized for accounting purposes:				
Future purchases of dollars	316	185	(6)	-
Swaps (2)	682	-	(106)	-
Put options	213	92	5	(3)
Call options	405	261	-	-

	<u>Dollar/NIS</u>			
	<u>Up to one year</u>			
	<u>Par value</u>		<u>Fair value</u>	
	<u>Long</u>	<u>Short</u>	<u>Long</u>	<u>Short</u>
3. Derivatives for hedging purposes – recognized for accounting purposes:				
Future purchases of dollars	433	-	(19)	-

	<u>Par value</u>		<u>Interest</u>		<u>Fair value</u>	
	<u>Up to one year</u>					
	<u>Long</u>	<u>Short</u>	<u>Long</u>	<u>Short</u>	<u>Long</u>	<u>Short</u>
4. Swap future contract (3) – not recognized for accounting purposes:	400				1	
(1) These contracts are intended to protect CPI linked liabilities, such that if the CPI were to rise at a higher rate than that provided in the contract, the difference would be received and in the reverse case the difference would be paid.						
(2) Intended to change a dollar loan into a shekel loan bearing Telbor interest.						
(3) The purpose of this future contract is to change the interest from variable interest into fixed interest.						

6.2 Investee companies

During the reported period, no material changes occurred in the exposure of material investee companies of the Company to market risks and in the methods of managing such risks in relation to the Company's report on this matter in the directors' report of the Company for the second quarter of 2007 that was published on August 20, 2007.

Discount Investment Corporation Ltd.

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6.3 Tables showing the sensitivity of financial instruments included in the consolidated financial statements as at September 30, 2007 to various market changes

Sensitivity test to changes in interest rate

Item	Fair value	Gain (loss) from changes in interest rate			
		Increase		Decrease	
		10%	5%	10%	5%
N I S	m i l l	i o n s			
Long-term deposits and loans (including current maturities)	1,278	(12)	(7)	12	7
Short-term deposits and loans	88	(1)	-	1	-
Marketable securities	99	(1)	(1)	1	1
Cash and cash equivalents in banks	1,508	(5)	(3)	5	3
Debentures	(13,605)	420	210	(421)	(210)
Long-term loans from banks	(1,346)	17	8	(20)	(9)
Other liabilities	(34)	5	2	(4)	(2)
	<u>(12,012)</u>	<u>423</u>	<u>209</u>	<u>(426)</u>	<u>(210)</u>

Sensitivity test to changes in dollar exchange rate

Item	Fair value	Gain (loss) from changes in dollar exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
N I S	m i l l	i o n s			
Long-term deposits and loans (including current maturities)	917	92	46	(92)	(46)
Short-term deposits and loans	248	25	13	(25)	(13)
Marketable securities	80	8	4	(8)	(4)
Cash and cash equivalents in banks	980	98	49	(98)	(49)
Long-term loans from banks	(1,125)	(113)	(56)	113	56
	<u>1,100</u>	<u>110</u>	<u>56</u>	<u>(110)</u>	<u>(56)</u>
<u>Dollar options for hedging purposes*</u>					
<u>Long: Call</u>	-	14	4	-	-
Put	5	(5)	(4)	18	8
<u>Short: Call</u>	-	(6)	(1)	-	-
Put	(3)	3	2	(8)	(4)
	<u>2</u>	<u>6</u>	<u>1</u>	<u>10</u>	<u>4</u>
<u>Forward dollar</u>					
Recognized as an accounting hedge	(19)	43	22	(43)	(22)
Not recognized as an accounting hedge	(6)	32	15	(33)	(17)
	<u>(25)</u>	<u>75</u>	<u>37</u>	<u>(76)</u>	<u>(39)</u>
<u>Cross currency swap</u>					
Not recognized as an accounting hedge	(106)	68	34	(68)	(34)

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Sensitivity test to changes in euro exchange rate

Item	Fair value N	Gain (loss) from changes in euro exchange rate								
		Increase		Decrease						
		10%	5%	10%	5%					
	I	S	m	i	l	l	i	o	n	s
Long-term deposits and loans (including current maturities)	90	9	5	(9)	(5)					
Short-term deposits and loans	7	1	-	(1)	-					
Cash and cash equivalents	4	1	-	(1)	-					
	<u>101</u>	<u>11</u>	<u>5</u>	<u>(11)</u>	<u>(5)</u>					

Sensitivity test to changes in pound sterling exchange rate

Item	Fair value N	Gain (loss) from changes in pound sterling exchange rate								
		Increase		Decrease						
		10%	5%	10%	5%					
	I	S	m	i	l	l	i	o	n	s
Long-term deposits and loans (including current maturities)	149	15	7	(15)	7					

Sensitivity test to changes in other currency exchange rate

Item	Fair value N	Gain (loss) from changes in other currency exchange rate								
		Increase		Decrease						
		10%	5%	10%	5%					
	I	S	m	i	l	l	i	o	n	s
Long-term bank loans	(13)	(1)	(1)	1	1					

Sensitivity test to changes in prices of marketable securities

Item	Fair value N	Gain (loss) from changes in other currency exchange rate								
		Increase		Decrease						
		10%	5%	10%	5%					
	I	S	m	i	l	l	i	o	n	s
Investment in marketable securities	807	81	40	(81)	(40)					

Discount Investment Corporation Ltd.

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Sensitivity test to changes in standard deviation

Item	Fair value	Gain (loss) from changes in standard deviation									
		Increase		Decrease							
		10%	5%	10%	5%						
	N	I	S	m	i	l	l	i	o	n	s
<u>Dollar options for hedging purposes*</u>											
Long: Call	-		3		1			-		-	
Put	5		3		1			(5)		(1)	
Short: Call	-		(1)		-			-		-	
Put	3		(1)		(1)			3		1	
	8		4		1			(2)		-	

* Not recognized as an accounting hedge

Sensitivity test to changes in CPI

Item	Fair value	Gain (loss) from changes in CPI									
		Increase		Decrease							
		10%	5%	10%	5%						
	N	I	S	m	i	l	l	i	o	n	s
Not recognized as an accounting hedge	(3)		8		4			(8)		(4)	

Sensitivity test to changes in interest rate

Item	Fair value	Gain (loss) from changes in interest exchange rate									
		Increase		Decrease							
		10%	5%	10%	5%						
	N	I	S	m	i	l	l	i	o	n	s
Not recognized as an accounting hedge	1		4		2			(4)		(2)	

7. Effects of the transition to IFRS

- 7.1 Upon the transition to reporting according to IFRS on January 1, 2008, and following completion of the second phase of selling part of the Company's shares in Super-Sol as described in Note 2C5 of the Company's financial statements, the Company is expected to stop consolidating the financial statements of Super-Sol for reporting periods after September 25, 2007, and as from that date the investment in the shares of Super-Sol shall be presented on the equity basis.
- 7.2 Discussions are presently being held regarding the accounting treatment of grants that were received in respect of participation in research and development expenses. In accordance with one of the alternatives being examined, grants received in respect of participation in research and development expenses that are anticipated to be returned, will be presented as a liability at their capitalized value. In the past these grants were presented as a deduction from the development expenses. The Company is still examining the matter, but if the Company changes the accounting treatment of the matter, the effect of the change in the accounting method on the Company's consolidated balance sheet as at January 1,

Discount Investment Corporation Ltd.

Board of Directors Report Accompanying The Financial Statements for the First Nine Months and Third Quarter of 2007

2007 (opening balance according to IFRS) is a decrease in the investment in affiliated companies against a decrease in the balance of retained earnings in the amount of NIS 59 million.

8. Disclosure regarding the process of approving the financial statements

The Company's Board of Directors is the body responsible for the corporate governance of the Company and the approval of its financial statements.

The Company's Board of Directors has appointed the Company's audit committee to act as the "balance sheet committee" that presents recommendations to it with respect to approval of the financial statements and the discussion of them before their approval. The "balance sheet committee" is comprised of four members: Gideon Lahav, Moshe Arad (outside director), Gideon Dover (outside director), and Prof. Niv Ahituv (outside director) with financial expertise. The Company's internal auditor and independent auditor are invited to participate in the meetings of the "balance sheet committee" as well as the meetings of the Board of Directors in which the financial statements are discussed and approved. In these meetings the independent auditor is required to present the principal findings, if any, that arose from the audit or review process.

The "balance sheet committee" examines, by means of detailed presentations of officers and other people of the Company, including the Company's President Ami Erel, the Executive Vice President and Chief Financial Officer Oren Lieder, and the Vice President and Controller Michel Dahan, the significant matters of the financial report, including transactions not in the ordinary course of business, if there were any, the material evaluations and critical estimates that were implemented in the financial statements, the reasonability of the data, the accounting policy that was applied and any changes in it, and implementation of the proper disclosure principle in the financial statements and in the information accompanying it. The "balance sheet committee" examines various aspects of control and risk management, both those reflected in the financial statements (such as the report on financial risks) and those that affect the reliability of the financial statements. If necessary, the balance sheet committee requests to receive comprehensive reviews of matters having a particularly material effect.

Approval of the financial statements usually requires two meetings: one of the balance sheet committee before the meeting of the Board of Directors, for a comprehensive discussion of the material reporting matters, and the second of the Board of Directors, for discussion and approval of the financial statements.

Nochi Dankner
Chairman of the Board

Ami Erel
President and CEO

Tel Aviv, November 21, 2007



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The Board of Directors Discount Investment Corporation Limited

Review of the unaudited interim consolidated financial statements for the nine and three month periods ended September 30, 2007

At your request, we have reviewed the interim consolidated balance sheet of Discount Investment Corporation Limited and its subsidiaries as at September 30, 2007 and the interim consolidated statements of income, the interim statements of changes in shareholders' equity and the interim consolidated statements of cash flows for the nine and three month periods then ended.

Our review was conducted in accordance with procedures prescribed by the Institute of Certified Public Accountants in Israel and included, inter alia, reading the said financial statements, reading the minutes of Shareholders' Meetings and the meetings of the Board of Directors and its committees and making inquiries with persons responsible for financial and accounting matters.

We received review reports of other auditors regarding the interim financial statements of subsidiaries whose assets constitute 7% of the total consolidated assets as at September 30, 2007 and whose revenues constitute 5% and 4% of the total consolidated revenues for the nine and three month periods then ended, respectively. Furthermore, the data included in the financial statements, relating to the net asset value of the Group's investment in affiliates and to its equity in their operating results is based on the financial statements of such affiliates, some of which were reviewed by other auditors.

Since the review performed is limited in scope and does not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on the said interim consolidated financial statements.

In the course of our review, including the reading of the reports by other auditors as stated above, nothing came to our attention which would indicate the necessity of making any material changes to the said interim financial statements in order for them to be in conformity with generally accepted accounting principles and in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

Sincerely,

Somekh Chaikin
Certified Public Accountants (Isr.)

November 21, 2007

Discount Investment Corporation Ltd.

Consolidated Balance Sheets

Reported Amounts

	September 30, 2007	September 30, 2006 *	December 31, 2006 *
	Unaudited	Unaudited	Audited
	N I S	m i l l i o n s	
Investments in affiliated and other companies	4,965	3,012	3,657
Long-term deposits and loans	616	638 **	629
Fixed assets	4,346	4,456 **	4,493 **
Investment property	5,578	3,034 **	3,136 **
Real estate	231	182	176
Deferred charges and other assets	3,967	5,247 **	5,202 **
Current assets			
Sundry receivables	443	392	375
Trade receivables	2,565	2,437	2,308
Inventory	1,121	1,076	1,029
Short-term deposits and loans, and current maturities	274	292	53
Marketable securities	809	373	294
Cash and cash equivalents in banks	4,779	1,355	1,612
	9,991	5,925	5,671
	29,694	22,494	22,964

* See note 1.c.2 regarding restatement..

** Reclassified.

The accompanying notes are an integral part of the interim financial statements.

Discount Investment Corporation Ltd.

Consolidated Balance Sheets Reported Amounts

	September 30, 2007	September 30, 2006 *	December 31, 2006 *
	Unaudited	Unaudited	Audited
	N I S	m i l l i o n s	
Shareholders' equity	5,197	4,927	5,006
Minority interest in the equity of subsidiaries	3,156	1,506	1,616
Long term liabilities			
Debentures	12,938	8,730	9,174
Bank loans	2,046	2,140	2,077
Other	243	190	184
	15,227	11,060	11,435
Deferred taxes	821	415	417
Liability for employee severance benefits, net	23	15	14
	16,071	11,490	11,866
Current liabilities			
Bank credit including current maturities of liabilities to banks	498	641	316
Short-term credit, including current maturities of long-term liabilities	610	267	384
Trade payables	2,318	2,153	2,137
Sundry payables	1,844	1,510	1,639
	5,270	4,571	4,476
	29,694	22,494	22,964

* See note 1.c.2 regarding restatement.

Nochi Dankner
Chairman of the Board

Ami Erel
President and CEO

Oren Lieder
Executive Vice President and CFO

Date of approval of financial statements: November 21, 2007

Discount Investment Corporation Ltd.

Consolidated Statements of Income Reported Amounts

	For the nine month period ended September 30		For the three month period ended September 30		For the year ended December 31,
	2007	2006 *	2007	2006 *	2006 *
	(Unaudited)		(Unaudited)		(Audited)
	N I S		m i l l i o n s		
Income					
Sales and services	12,395	11,567 **	4,232	4,081 **	15,668
Company's equity in losses of affiliated companies	(1)	(43) **	(160)	(31) **	(64)
Management fees and other income, net	13	12	4	-	18
Gain from realization and adjustment, less reductions, of investments and assets, net	1,424	418	441	32 **	491
	<u>13,831</u>	<u>11,954</u>	<u>4,517</u>	<u>4,082</u>	<u>16,113</u>
Expenses					
Cost of sales and services	8,037	7,657 **	2,701	2,700 **	10,427
Selling expenses	2,039	1,967	719	699	2,663
General and administrative expenses	757	826	257	275	1,127
Financing expenses, net	714	477	524	173	539
	<u>11,547</u>	<u>10,927</u>	<u>4,201</u>	<u>3,847</u>	<u>14,756</u>
Earnings before income tax	2,284	1,027	316	235	1,357
Income tax	(360)	(310)	(49)	(137)	(425)
Net earnings before minority interest	1,924	717	267	98	932
Minority interest in earnings of subsidiaries	(446)	(164)	(173)	(62)	(248)
Net earning before cumulative effect of change in accounting method, net	1,478	553	94	36	684
Net cumulative effect as at the beginning of the year of change in accounting method	-	17	-	-	17
Net earnings for the period	<u>1,478</u>	<u>570</u>	<u>94</u>	<u>36</u>	<u>701</u>

* See note 1.c.2 regarding restatement.

** Reclassified.

The accompanying notes are an integral part of the interim financial statements.

Discount Investment Corporation Ltd.

Consolidated Statements of Income (cont'd) Reported Amounts

	For the nine month period ended September 30		For the three month period ended September 30		For the year ended December 31,
	2007	2006 *	2007	2006 *	2006 *
	(Unaudited)		(Unaudited)		(Audited)
	NIS	NIS *	NIS	NIS *	NIS *
Net earning per NIS 1 par value of ordinary shares					
<u>Basic earnings per share</u>					
Earning before cumulative effect of change in accounting method, net	19.0	7.3	1.2	0.5	9.0
Net cumulative effect as at the beginning of the year of change in accounting method	0.0	0.2	0.0	0.0	0.2
Net earnings	19.0	7.5	1.2	0.5	9.2
<u>Diluted earnings per share</u>					
Earning before cumulative effect of change in accounting method, net	19.0	7.2	1.2	0.5	8.9
Net cumulative effect as at the beginning of the year of change in accounting method	0.0	0.2	0.0	0.0	0.2
Net earnings	19.0	7.4	1.2	0.5	9.1

* See note 1.c.2 regarding restatement.

The accompanying notes are an integral part of the interim financial statements.

Discount Investment Corporation Ltd.

Statement of Changes in Shareholders' Equity Reported Amounts

	Share capital		Share premium	Capital reserves	Adjustments	Capital component of convertible debentures	Dividend declared subsequent to balance sheet date	Retained earnings	Total
	(1)	N	I	(3)	(2)	l l i	o n	(4)	
Year ended December 31, 2006 (audited)									
Balance as at January 1, 2006	711	2,481		198	(114)	1,651	262	84	5,273
Net earning for the year (4)	-	-	-	-	-	-	-	701	701
Adjustments (2)	-	-	-	-	(168)	-	-	-	(168)
Dividend paid	-	-	-	-	-	-	(262)	(549)	(811)
Share-based payments to employees	-	-	-	1	-	-	-	-	1
Exercise of option warrants by employees	*	1	-	(1)	-	-	-	-	-
Capital reserve in respect of hedge transactions	-	-	-	(23)	-	-	-	-	(23)
Reserve posted to statement of income	-	-	-	-	33	-	-	-	33
Conversion of debentures	24	1,627	-	-	-	(1,651)	-	-	-
Balance as at December 31, 2006	735	4,109		175	(249)	-	-	236	5,006
Nine months ended September 30, 2007 (Unaudited)									
Effect of implementing of new accounting standards as at January 1, 2007 (4)	-	-	-	-	-	-	-	534	534
Net earning for the period	-	-	-	-	-	-	-	1,478	1,478
Adjustments (2)	-	-	-	-	(164)	-	-	-	(164)
Capital reserve from translation adjustments of statements of income (see paragraph 2.b of note 2.c)	-	-	-	-	55	-	-	-	55
Capital reserve in respect of hedge transactions posted to statement of income	-	-	-	6	-	-	-	-	6
Capital reserve in respect of hedge transactions	-	-	-	1	-	-	-	-	1
Capital reserve from merger between Netvision, Barak and Globecall (see Note 2.a.2)	-	-	-	(3)	-	-	-	-	(3)
Dividend paid (See Note 3.E)	-	-	-	-	-	-	-	(1,716)	(1,716)
Dividend declared subsequent to balance sheet date (see note 4.g)	-	-	-	-	-	-	360	(360)	-
Balance as at September 30, 2007	735	4,109		179	(358)	-	360	172	5,197

(1) Including capital reserves until December 31, 1985.

(2) Adjustments arising from translation of financial statements of investee companies.

(3) Including reserve from sale of shares of IDB Holdings in the amount of NIS 81 million.

(4) See note 1.c.6.

* Less than NIS 1 million.

The accompanying notes are an integral part of the interim financial statements.

Discount Investment Corporation Ltd.

Statement of Changes in Shareholders' Equity (cont'd) Reported Amounts

	Share capital (1)	Share premium	Capital reserves (3)	Adjustments (2)	Dividend declared subsequent to balance sheet date	Retained earnings (4)	Total
	N	I S	m	i l l	i o	n s	
Three months ended September 30, 2007 (Unaudited)							
Balance as at July 1, 2007	735	4,109	185	(182)	900	438	6,185
Net earnings for the period	-	-	-	-	-	94	94
Adjustments (2)	-	-	-	(231)	-	-	(231)
Capital reserve from translations adjustments of statements of income (see paragraph 2.b of note 2.c)	-	-	-	55	-	-	55
Dividend paid (see note 3.e)	-	-	-	-	(900)	-	(900)
Capital reserve in respect of hedge transactions posted to statement of income	-	-	1	-	-	-	1
Capital reserve in respect of hedge transactions	-	-	(7)	-	-	-	(7)
Dividend declared subsequent to balance sheet date (see note 4.g)	-	-	-	-	360	(360)	-
Balance as at September 30, 2007	735	4,109	179	(358)	360	172	5,197

- (1) Including capital reserves until December 31, 1985.
(2) Adjustments arising from translation of financial statements of investee companies.
(3) Including reserve from sale of shares of IDB Holdings in the amount of NIS 81 million.
(4) See Note 1.c.6.

The accompanying notes are an integral part of the interim financial statements.

Discount Investment Corporation Ltd.

Statement of Changes in Shareholders' Equity (cont'd) **Reported Amounts**

	Share capital (1)	Share premium N I	Capital reserves (3) S	Adjustments (2) m i	Capital component of convertible debentures l l i	Dividend declared subsequent to balance sheet date o n	Retained earnings (4) s	Total
Nine months ended								
September 30,								
2006 (Unaudited)								
Balance as at January 1, 2006	711	2,481	198	(114)	1,651	262	84	5,273
Net earning for the period (4)	-	-	-	-	-	-	570	570
Adjustments (2)	-	-	-	(119)	-	-	-	(119)
Dividend paid	-	-	-	-	-	(262)	(549)	(811)
Share-based payments	-	-	1	-	-	-	-	1
Capital reserve in respect of hedge transactions	-	-	(20)	-	-	-	-	(20)
Reserve posted to statement of income	-	-	-	33	-	-	-	33
Balance as at September 30, 2006	<u>711</u>	<u>2,481</u>	<u>179</u>	<u>(200)</u>	<u>1,651</u>	<u>-</u>	<u>105</u>	<u>4,927</u>
Three months ended								
September 30,								
2006 (Unaudited)								
Balance as at July 1, 2006	711	2,481	187	(152)	1,651	225	69	5,172
Net earnings for the period (4)	-	-	-	-	-	-	36	36
Adjustments (2)	-	-	-	(80)	-	-	-	(80)
Dividend declared	-	-	-	-	-	(225)	-	(225)
Capital reserve in respect of hedge transactions	-	-	(8)	-	-	-	-	(8)
Reserve posted to statement of income	-	-	-	32	-	-	-	32
Balance as at September 30, 2006	<u>711</u>	<u>2,481</u>	<u>179</u>	<u>(200)</u>	<u>1,651</u>	<u>-</u>	<u>105</u>	<u>4,927</u>

- (1) Including capital reserves until December 31, 1985.
- (2) Adjustments arising from translation of financial statements of investee companies.
- (3) Including reserve from sale of shares of IDB Holdings in the amount of NIS 81 million.
- (4) See note 1.c.6.

The accompanying notes are an integral part of the interim financial statements.

Discount Investment Corporation Ltd.

Consolidated Statements of Cash Flows

Reported Amounts

	For the nine month period ended September 30		For the three month period ended September 30		For the year ended December 31,						
	2007	2006 *	2007	2006 *	2006 *						
	(Unaudited)		(Unaudited)		(Audited)						
	N	I	S	m	i	l	l	i	o	n	s
Cash flows generated by operating activities											
Net earnings for the period	1,478	570		94	36					701	
Adjustments to reconcile net earnings to net cash flows generated by operating activities:											
Income and expenses not involving cash flows (see 1A below)	282	720		541	392					887	
Changes in asset and liability items (see 1B below)	57	16		76	118					197	
Net cash inflow generated by operating activities	1,817	1,306		711	546					1,785	
Cash flows generated by investing activities											
Long-term deposits and loans granted	-	(86)		-	-					(85)	
Collection of long-term deposits and loans granted	26	16		7	1					37	
Purchase of marketable securities, net	(545)	(118)		(141)	(13)					(34)	
Investments in affiliated companies and others	(1,375)	(2,062)		(1,096)	(1,793)					(2,777)	
Investment in companies consolidated for the first time (see 2 below)	-	(22)		-	-					(22)	
Investment in real estate, in investment properties and in fixed and other assets	(1,220)	(1,436)		(598)	(344)					(1,739)	
Withdrawal of former subsidiary from the consolidation (see 3 below)	7	-		-	-					-	
Proceeds from dividends and from sale of investments	2,678	1,551		549	373					1,697	
Proceeds from disposal of fixed assets	55	107		2	28					130	
Short term loans collected (granted), net	(211)	(238)		(200)	(241)					(17)	
Net cash outflow generated by investing activities	(585)	(2,288)		(1,477)	(1,989)					(2,810)	

* See note 1.c.2 regarding restatement.

The accompanying notes are an integral part of the interim financial statements.

Discount Investment Corporation Ltd.

Consolidated Statements of Cash Flows (cont'd)

Reported Amounts

	For the nine month period ended September 30		For the three month period ended September 30		For the year ended December 31,						
	2007	2006 *	2007	2006 *	2006 *						
	(Unaudited)		(Unaudited)		(Audited)						
	N	I	S	m	i	l	l	i	o	n	s
Cash flows generated by financing activities											
Issue of debentures and loans received	4,225	4,973		1,123	518					5,684	
Short term loans, net	(28)	(2,714)		5	(32)					(2,953)	
Shares issued by subsidiaries to minority	7	4		7	2					15	
Dividend paid	(1,716)	(811)		(900)	(549)					(811)	
Dividend paid to minority shareholders of subsidiaries	(168)	(322)		(84)	(66)					(354)	
Repayment of long term liabilities	(385)	(1,638)		(58)	(106)					(1,789)	
Net cash (outflow) inflow generated by financing activities	<u>1,935</u>	<u>(508)</u>		<u>93</u>	<u>(233)</u>					<u>(208)</u>	
Increase (decrease) in cash and cash equivalents	3,167	(1,490)		(673)	(1,676)					(1,233)	
Cash and cash equivalents at the beginning of the period	<u>1,612</u>	<u>2,845</u>		<u>5,452</u>	<u>3,031</u>					<u>2,845</u>	
Cash and cash equivalents at the end of the period	<u><u>4,779</u></u>	<u><u>1,355</u></u>		<u><u>4,779</u></u>	<u><u>1,355</u></u>					<u><u>1,612</u></u>	

* See note 1.c.2 regarding restatement.

The accompanying notes are an integral part of the interim financial statements.

Discount Investment Corporation Ltd.

Consolidated Statements of Cash Flows (cont'd)

Reported Amounts

	For the nine month period ended September 30		For the three month period ended September 30		For the year ended December 31,						
	2007	2006 *	2007	2006 *	2006 *						
	(Unaudited)		(Unaudited)		(Audited)						
	N	I	S	m	i	l	l	i	o	n	s
1. Adjustments to reconcile net earnings to net cash flows generated by operating activities:											
(A) Income and expenses not involving cash flows											
Company's equity in the losses of affiliated companies	1	43 **	160	31 **	64						
Dividends received	82	51	70	26	53						
Gain from realization and adjustment, less reductions, of investments and assets, net	(1,424)	(441)	(441)	(32) **	(513)						
Depreciation of fixed assets and deferred expenses	779	918	262	308	1,217						
CPI linkage differences relating to debentures and deposits	332	44	297	(8)	(124)						
Deferred taxes	24	(57) **	(4)	5	(54)						
Liability for employee severance benefits	11	7	4	(1)	5						
Minority interest in earnings of subsidiaries	446	164	173	62	248						
Cumulative effect as at beginning of year of change in accounting method, net	-	(17)	-	-	(17)						
Decrease (increase) in value of marketable securities	-	(6)	11	(3)	(10)						
Net benefit in respect of allotment of option warrants to employees	31	14	9	4	18						
	<u>282</u>	<u>720</u>	<u>541</u>	<u>392</u>	<u>887</u>						
(B) Changes in asset and liability items											
Increase (decrease) in sundry receivables	(68)	(5)	(47)	9	9						
Increase in trade receivables	(272)	(244)	(191)	(239)	(127)						
Increase (decrease) in inventory	(95)	(34)	(86)	(91)	19						
Increase (decrease) in trade payables	313	13	186	183	(109)						
Increase in sundry payables	179	286	214	256	405						
	<u>57</u>	<u>16</u>	<u>76</u>	<u>118</u>	<u>197</u>						

* See note 1.c.2 regarding restatement.

** Reclassified.

The accompanying notes are an integral part of the interim financial statements.

Discount Investment Corporation Ltd.

Consolidated Statements of Cash Flows (cont'd)

Reported Amounts

	For the nine month period ended September 30		For the three month period ended September 30		For the year ended December 31,						
	2007	2006 *	2007	2006 *	2006 *						
	(Unaudited)		(Unaudited)		(Audited)						
	N	I	S	m	i	l	l	i	o	n	s
2. Investment in companies consolidated for the first time:											
Working capital, excluding cash and cash equivalents	-	182	-	-	-	-	-	-	-	182	
Realization of short term deposit in respect of the purchase	-	701	-	-	-	-	-	-	-	701	
Fixed and other assets	-	(300)	-	-	-	-	-	-	-	(300)	
Goodwill	-	(620)	-	-	-	-	-	-	-	(620)	
Long term liabilities	-	15	-	-	-	-	-	-	-	15	
	-	(22)	-	-	-	-	-	-	-	(22)	
3. Withdrawal of former subsidiaries from the consolidation:											
Working capital, excluding cash and cash equivalents	(28)	(4)	-	-	-	-	-	-	-	(4)	
Investment in affiliated company	(69)	(13)	-	-	-	-	-	-	-	(13)	
Fixed and other assets	124	30	-	-	-	-	-	-	-	30	
Long term liabilities	(19)	(13)	-	-	-	-	-	-	-	(13)	
Capital loss on sale of investment in former subsidiary	(1)	-	-	-	-	-	-	-	-	-	
	7	-	-	-	-	-	-	-	-	-	
4. Non cash transactions:											
Investments in fixed assets in real estate in an affiliated company, and deferred charges on credit	143	119	103	112	-	-	-	-	-	253	
Sale of fixed assets on credit	-	22	-	(1)	-	-	-	-	-	2	
Conversion of debentures and loans into shares in an affiliated company	6	9	6	-	-	-	-	-	-	26	
Tax withholding from dividend	16	-	16	-	-	-	-	-	-	-	

* See Note 1.c.2 regarding restatement.

The accompanying Notes are an integral part of the interim financial statements.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 1 - Reporting Principles and Accounting Policies

A. General

1. These interim financial statements have been prepared in accordance with generally accepted accounting principles applicable to the preparation of interim period financial statements, Accounting Standard No. 14 of the Israel Accounting Standards Board and the provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports) – 1970.
2. These interim financial statements have been prepared as at September 30, 2007 and for the nine month and three month periods then ended. These interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company as at December 31, 2006 (hereinafter – “the annual financial statements”).
3. The main accounting policies that were applied in these interim financial statements are consistent with those applied in the annual financial statements, except for that mentioned in this note.

B. Changes in the Consumer Price Index (CPI) and in the exchange rate of the U.S. dollar in the reported periods:

	Increase (decrease)		
	<u>CPI in respect of the month</u>	<u>Latest known CPI</u>	<u>Exchange rate of the US\$</u>
	<u>%</u>	<u>%</u>	<u>%</u>
During the nine month period ended:			
September 30, 2007	2.3	2.8	(5.0)
September 30, 2006	0.8	1.5	(6.5)
During the three month period ended:			
September 30, 2007	1.3	2.5	(5.6)
September 30, 2006	(0.7)	0.2	(3.1)
During the year ended December 31, 2006	(0.1)	(0.4)	(8.2)

C. Initial implementation of new accounting standards

1. Accounting Standard No. 26, “Inventory”

As from January 1, 2007 the Company implements Accounting Standard No. 26, “Inventory” (hereinafter – Standard 26) of the Israel Accounting Standards Board.

Standard 26 applies to all types of inventory, other than inventory of work in process subject to Accounting Standard No. 4 of the Israel Accounting Standards Board, “Work Executed by Contract”, inventory of buildings held for sale subject to Accounting Standard No. 2 of the Israel Accounting Standards Board, “Construction of Buildings for Sale”, and financial instruments.

Standard 26 provides that inventory is to be measured at the lower of cost or its net realizable value. The cost of the inventory is to be determined on the basis of the “First-In – First-Out” (FIFO) method or by using a weighted average of cost, while being consistent with respect to all inventory having a similar nature and use. It is not permitted to value inventory on the basis of

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 1 – Reporting Principles and Accounting Policies (cont'd)

C. Initial implementation of new accounting standards (cont'd)

1. Accounting Standard No. 26, “Inventory” (cont'd)

the “Last-In – First-Out” (LIFO) method. Standard 26 also provides guidelines regarding the allocation of conversion costs to inventory and for determining impairment in value of inventory written down to net realizable value of the inventory.

In accordance with the transitional provisions of Standard 26, it was adopted retroactively by restating the comparative data relating to prior periods.

The implementation of Standard 26 does not have a material effect on the Company’s results of operations and financial position.

701. Accounting Standard No. 27, “Fixed Assets”

As from January 1, 2007 the Company implements Accounting Standard No. 27, “Fixed Assets” (hereinafter – Standard 27) of the Israel Accounting Standards Board.

Standard 27 prescribes rules for the presentation, measurement and derecognition of fixed assets and for the disclosure required in respect thereto.

The principal changes provided by Standard 27 compared to the principles that were applied in the past are as follows: inclusion in the cost of the fixed asset item, already upon the initial recognition of the item, of the estimated amount of costs to be incurred in respect of a liability to dismantle and remove the item and to restore the site on which it is located; providing an alternative for measuring groups of similar fixed asset items at a revalued amount less accumulated depreciation, where the increase in the value of the asset to above its initial cost as a result of the revaluation will be directly included in shareholders’ equity as a revaluation reserve; separate depreciation of each component of the fixed asset item with a cost that is significant in relation to the total cost of the item, including costs of significant periodic examinations; measurement at fair value of fixed asset items purchased for another non-monetary item in a transaction having a commercial substance; requirement to examine the residual value, useful life and depreciation method of the asset, at least at the end of each fiscal year, and if the estimates are different than previous estimates, the change will be treated as a change in accounting estimate.

The initial implementation of Standard 27 had the following effects:

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 1 – Reporting Principles and Accounting Policies (cont'd)

C. Initial implementation of new accounting standards (cont'd)

2. Accounting Standard No. 27, “Fixed Assets” (cont'd)

- a. **Implementation of the components method** – In accordance with the transitional provisions of Standard 27, the financial statements were restated as a result of implementing the provisions of the Standard with respect to the separate calculation of depreciation for the various cost components of the fixed assets according to the useful life of each item. The effect of the aforementioned restatement is as follows:

	As originally reported*	Effect of restatement	As reported in these financial statements
	N I S	m i l l i o n s	
The effect on the consolidated balance sheet as at December 31, 2006 (audited)			
Fixed assets	4,308	185	4,493
Provision for deferred taxes	368	49	417
Minority interest in shareholders' equity of subsidiaries	1,554	62	1,616
Shareholders' equity	4,932	74	5,006
The effect on the consolidated balance sheet as at September 30, 2006 (naudited)			
Fixed assets	4,281	175	4,456
Provision for deferred taxes	368	47	415
Minority interest in shareholders' equity of subsidiaries	1,446	60	1,506
Shareholders' equity	4,859	68	4,927

* After the reclassification of investment property, software and software development costs that were capitalized to other assets.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 1 – Reporting Principles and Accounting Policies (cont'd)

C. Initial implementation of new accounting standards (cont'd)

2. Accounting Standard No. 27, “Fixed Assets” (cont'd)

	For the nine-month period ended September 30, 2006 <u>(Unaudited)</u>	For the three-month period ended September 30, 2006 <u>(Unaudited)</u>	For the year ended December 31, 2006 <u>(Audited)</u>
	N I S m i l l i o n s		
The effect on net earnings			
Net earnings as reported in the past	567	31	692
Effect of restatement:			
Decrease in cost of sales and services	23	10	32
Increase in taxes on income	(3)	(3)	(4)
Decrease in gain from realization of investments less reductions	(13)	-	(13)
Increase in the share of the minority in earnings of subsidiaries	(4)	(2)	(6)
Net earnings as reported in these financial statements	<u>570</u>	<u>36</u>	<u>701</u>
	N	I	S
The effect on basic earnings per ordinary share			
Basic earnings per ordinary share before cumulative effect as reported in the past	7.2	0.4	8.8
Effect of restatement	0.1	0.1	0.2
Basic earnings per ordinary share before cumulative effect as reported in these financial statements	<u>7.3</u>	<u>0.5</u>	<u>9.0</u>
Basic earnings per ordinary share after cumulative effect as reported in the past	7.4	0.4	9.0
Effect of restatement	0.1	0.1	0.2
Basic earnings per ordinary share after cumulative effect as reported in these financial statements	<u>7.5</u>	<u>0.5</u>	<u>9.2</u>

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 1 - Reporting Principles and Accounting Policies (cont'd)

C. Initial implementation of new accounting standards (cont'd)

2. Accounting Standard No. 27, "Fixed Assets" (cont'd)

	For the nine-month period ended September 30, 2006 <u>(Unaudited)</u> N	For the three-month period ended September 30, 2006 <u>(Unaudited)</u> I	For the year ended December 31, 2006 <u>(Audited)</u> S
The effect on diluted earnings per ordinary share			
Diluted earnings per ordinary share before cumulative effect as reported in the past	7.2	0.4	8.7
Effect of restatement	<u>0.0</u>	<u>0.1</u>	<u>0.2</u>
Diluted earnings per ordinary share before cumulative effect as reported in these financial statements	<u>7.2</u>	<u>0.5</u>	<u>8.9</u>
Diluted earnings per ordinary share after cumulative effect as reported in the past	7.4	0.4	8.9
Effect of restatement	<u>0.0</u>	<u>0.1</u>	<u>0.2</u>
Diluted earnings per ordinary share after cumulative effect as reported in these financial statements	<u>7.4</u>	<u>0.5</u>	<u>9.1</u>

b. **Liability for the removal of assets** – In the past, upon the initial recognition of a fixed asset, the Company did not include in its cost the initial estimate of costs for dismantling and removing the item and for restoring the site on which it was located, and therefore:

1. It measured the said liability as at January 1, 2007 in accordance with generally accepted accounting principles at the amount of NIS 12 million, and it recorded a tax asset in the amount of NIS 2 million;
2. It calculated the amount that would have been included in the cost of the asset on the date on which the liability was initially incurred by capitalizing the amount of the liability mentioned in item 1 above to the date on which the liability was initially incurred (hereinafter – the capitalized amount) at the amount of NIS 9 million. The liability was capitalized using the best estimate of the historical capitalization rates suitable to the risk that was relevant to that liability during the expired period; and,
3. It calculated the accumulated depreciation on the capitalized amount as at January 1, 2007 on the basis of the useful life of the asset as at that date at the amount of NIS 4 million;

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 1 - Reporting Principles and Accounting Policies (cont'd)

C. Initial implementation of new accounting standards (cont'd)

2. Accounting Standard No. 27, "Fixed Assets" (cont'd)

4. The difference of NIS 4 million between the amount that was charged to the asset in accordance with items 2 and 3 above, and the amount of the liability and tax asset, in accordance with item 1 above and net of the minority interest of NIS 1 million, was included in retained earnings as at January 1, 2007.

3. Accounting Standard No. 23, "The Accounting Treatment of Transactions between an Entity and its Controlling Shareholder"

As from January 1, 2007 the Company implements Accounting Standard No. 23, "The Accounting Treatment of Transactions between an Entity and its Controlling Shareholder" (hereinafter – Standard 23) of the Israel Accounting Standards Board. Standard 23 replaces the Securities Regulations (Financial Statement Presentation of Transactions between a Company and its Controlling Shareholder) – 1996, and provides that assets and liabilities included in a transaction between the entity and its controlling shareholder shall be measured on the date of the transaction at fair value and that the difference between the fair value and the consideration from the transaction shall be included in shareholders' equity. A debit difference is actually a dividend and accordingly reduces the retained earnings. A credit difference is actually an investment of the shareholder and shall therefore be presented under a separate item of shareholders' equity called "capital reserve from transaction between an entity and its controlling shareholder".

Standard 23 discusses three issues relating to transactions between an entity and its controlling shareholder, as follows: the transfer of an asset to the entity by the controlling shareholder, or conversely, transfer of an asset from the entity to the controlling shareholder; the controlling shareholder assuming upon itself a liability of the entity to a third party, wholly or partially, indemnification of the entity by the controlling shareholder in respect of an expense, and the controlling shareholder waiving the entity's debt to it, wholly or partially; and loans that were granted to the controlling shareholder or loans that were received from the controlling shareholder. Standard 23 also details the disclosure to be made in financial statements regarding transactions between the entity and its controlling shareholder during the period.

In accordance with the transitional provisions of Standard 23, the Company applied Standard 23 to transactions with a controlling shareholder that were executed after January 1, 2007 and to loans to the controlling shareholder or received from it before this Standard came into effect, as from the date of its coming into effect.

The initial implementation of Standard 23 did not have an effect on the Company's results of operations and financial position.

4. Accounting Standard No. 16, "Investment Property"

As from January 1, 2007 the Company implements Accounting Standard No. 16, "Investment Property" (hereinafter – Standard 16) of the Israel Accounting Standards Board. Standard 16 provides rules for the recognition, measurement and disposal of investment property and the disclosure required in respect thereto. Standard 16 provides, inter alia, that investment property shall be initially measured at cost with the addition of transaction costs. Standard 16 also provides that in subsequent periods, the entity is required to choose between measuring its investment property at cost net of accumulated depreciation and impairment losses, and measuring it at fair value, with the adjustment in fair value being recorded to earnings.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 1 - Reporting Principles and Accounting Policies (cont'd)

C. Initial implementation of new accounting standards (cont'd)

4. Accounting Standard No. 16, "Investment Property" (cont'd)

Investment property is property (land or building – or part of a building – or both) held by the Company (as the owner or under a financing lease) in order to generate income from rent or for the purpose of a capital increase in value or both, and not for the following purposes:

- a. To be used in order to produce or supply goods or services or for administrative purposes; or
- b. To be sold in the ordinary course of business

Furthermore, leased buildings that are leased out by the Company under an operating lease are classified and treated as investment property.

Property in the process of being constructed for future use as investment property, and which will be measured at fair value, are measured in the construction period on the basis of the fair value of the land with the addition of construction costs. When the construction is concluded it is remeasured according to fair value and classified as investment property. Any gain or loss from the remeasurement is recorded as income or expense.

When property is transferred from owner-occupied property to investment property, measured at fair value, the asset is remeasured according to fair value and is classified as investment property. Any gain from the remeasurement is included directly in equity. Any loss is included directly as an expense. When the investment property measured according to fair value becomes a fixed asset (owner-occupied property) or inventory, the fair value becomes the cost of the fixed asset or inventory, for purposes of consistent accounting treatment. When inventory becomes investment property measured at fair value, any difference between the fair value of the property on that date and its previous value on the books is included directly as income or expense.

The Company has chosen to implement the fair value model as from the financial statements for the first quarter of 2007. The fair value of the investment property in the consolidated balance sheet as at January 1, 2007 was decided to be NIS 5.1 billion. The valuations of the investment property are based on the valuations of independent appraisers, having relevant and recognized professional skills and current experience regarding the location and type of the investment property being valued.

The valuations were mainly prepared by capitalizing the cash flows anticipated to derive from the assets. The appraisers used capitalization rates of 8%-11% p.a., which are based on the type of the property and its designation, its location and the nature of the lessees. Capitalization rates of 8%-9% were used in the valuations of office buildings and buildings used in the hi-tech industry and for commercial purposes (located mainly in the center of the country and in parks for know-how intensive industries), whereas capitalization rates of 9%-11% were used in the valuations of workshops, storage and industrial buildings (located mainly in the periphery).

The effect of the implementation of Standard 16 on the consolidated balance sheet of the Company as at January 1, 2007 (the comparative figures were not restated) is as follows:

	<u>NIS millions</u>
Increase in balance of investment property	1,729
Increase in balance of investment in affiliated companies	74
Increase in long-term liabilities (in respect of lease payments and appreciation levies)	(88)
Increase in provision for deferred taxes	(431)
Increase in minority interest	(764)
	<hr/>
Total increase in retained earnings	<u>520</u>

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 1 - Reporting Principles and Accounting Policies (cont'd)

C. Initial implementation of new accounting standards (cont'd)

4. Accounting Standard No. 16, "Investment Property" (cont'd)

None of the aforementioned valuations is material for the Group and therefore were not attached as required in Regulation 8B of the Securities Regulations (Periodic and Immediate Reports) – 1970. For this purpose the Company used a materiality test of the value of a single asset being in excess of 10% of total assets on the consolidated balance sheet.

The Company recognizes a liability for the payment of sales tax when the event creating such a liability for the Company occurs, and therefore it does not record on its books a liability in respect of sales tax on the investment property of the Group. In the opinion of the Company, if the Group had sold all its investment property at a price reflecting its fair value as at balance sheet date, the overall effect on the financial statements of the liability that would have been recorded net of taxes, the share of the minority and the share of affiliated companies would amount to NIS 35 million.

5. Accounting Standard No. 30, "Intangible Assets"

As from January 1, 2007 the Company implements Accounting Standard No. 30, "Intangible Assets" (hereinafter – Standard 30) of the Israel Accounting Standards Board.

Standard 30 provides the accounting treatment of intangible assets and defines how to measure the book value of these assets, as well as the disclosures that are required. Standard 30 is to be initially implemented retroactively, except as described below. As regards business combinations, Standard 30 shall be implemented with respect to business combinations that took place on January 1, 2007 or thereafter, whereas in respect of a research and development project in process that was acquired in a business combination that took place before January 1, 2007 and which meets the definition of an intangible asset on the date of acquisition and was recorded as an expense on the date of acquisition, the Company shall recognize the research and development project in process as an asset and make an allocation of taxes on January 1, 2007.

A research and development asset shall be recognized in the amount of its value on the date of acquisition less the amortization that would have accumulated from the date of acquisition until December 31, 2006 on the basis of the useful life of the asset, and less any accrued impairment losses. The amount of the adjustment shall be included in the balance of retained earnings as at January 1, 2007.

The Company recorded as an expense the amount of NIS 20 million in respect of research and development projects in process that were acquired in the framework of business combinations that took place before January 1, 2007. The projects meet the definition of an intangible asset and therefore as at January 1, 2007 the Company recognized research and development projects in process as assets in the amount of NIS 18 million (after the allocation of deferred taxes), against an adjustment in the balance of retained earnings as at that date. The assets are amortized over the balance of their useful life of between 5 and 13 years.

Furthermore, the Company reclassified software and capitalized software development expenses that do not constitute an integral part of the related hardware, having a net book value of NIS 236 million as at September 30, 2006 and of NIS 237 million as at December 31, 2006, from the item of fixed assets to the item of other assets.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 1 - Reporting Principles and Accounting Policies (cont'd)

C. Initial implementation of new accounting standards (cont'd)

6. As a result of the implementation of new accounting standards, the retained earnings as at January 1, 2007 increased by the amount of NIS 608 million, as follows:

	<u>NIS millions</u>
Standard 27 (see Note 1C2)	
Recognition of costs for dismantling and removing fixed asset items	(4)
Standard 16 (see Note 1C4)	
Implementation of fair value model to investment property	520
Standard 30 (see Note 1C5)	
Recognition of research and development project in process that was recognized in a business combination	18
Total amount included in retained earnings as at January 1, 2007	<u>534</u>
Standard 27 (see Note 1C2)	
Implementation of components method - restatement of retained earnings as at December 31, 2006	74
	<u><u>608</u></u>

Note 2 - Investee Companies

A. Changes in investments during the first quarter of 2007

1. Cellcom Israel Ltd. (hereinafter – Cellcom), a 56% subsidiary of the Company

In February 2007 Cellcom published in the USA a prospectus for a public offering of shares, which was guaranteed by underwriting, by which the Company sold to the public shares of Cellcom constituting 19.5% of the share capital of Cellcom for a total consideration of \$ 353 million (net of expenses relating to the offer). As a result of the sale, the Company recorded a net gain in the amount of NIS 615 million, and the Company's holding in Cellcom decreased to 59% of the share capital and 64.5% of the voting rights. See also Note 19A8 of the annual financial statements regarding the commitment of the Company to indemnify the underwriters of the public offering. Following the said publication of the prospectus, shares of Cellcom were registered for trading on the New York Stock Exchange.

2. In September 2006 an agreement was signed between Netvision Ltd. (hereinafter – Netvision), Barak I.T.C. (1995) - The International Telecommunication Corporation Ltd. (hereinafter – Barak) and all the shareholders of Barak, including Clal Industries and Investments Ltd. (hereinafter – CII), a subsidiary of IDB Development Corporation Ltd. (the parent company of the Company; hereinafter – IDB Development), by which Netvision would purchase full ownership over Barak in consideration for an allotment of shares of Netvision to the shareholders of Barak. At the same time an agreement was signed between Netvision, the Company and Globecall Communications Ltd., a wholly owned subsidiary of the Company at the time (hereinafter – Globecall), by which the Company would sell all its holdings in Globecall to Netvision in consideration for an allotment of shares of Netvision to the Company.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 2 - Investee Companies (cont'd)

A. Changes in investments during the first quarter of 2007 (cont'd)

In December 2006 this transaction was approved by the special shareholders' meetings of the Company, CII and Netvision. In January 2007 the transaction was completed following which the holding of the Company in Netvision declined from 36% to 25% (21% in full dilution), the holding of Elron Electronic Industries Ltd. (hereinafter – Elron), a 49% investee of the Company, declined from 36% to 18% (16% in full dilution) and CII received shares of Netvision that directly and indirectly confer to it a 29% holding in Netvision (25% in full dilution).

These rates were determined in accordance with the aforementioned agreements and on the basis of the valuations of independent appraisers of both parties, by which the value of Netvision was estimated to be between NIS 533 million and NIS 621 million, the value of Barak was estimated to be between NIS 456 million and NIS 529 million and the value of Globecall was estimated to be between NIS 67 million and NIS 90 million. Fairness opinions regarding the fairness of the consideration were received in respect of the aforementioned valuations.

Upon completion of the transaction, the Company, Elron and CII entered into a shareholders' agreement regarding their holdings in Netvision. This agreement arranges, inter alia, the composition of Netvision's board of directors on the basis of the relative holdings of the parties, as well as rights of refusal and tag along rights in sales of shares of Netvision by the parties.

In accordance with the decision of the Securities Authority from April 2007 regarding the accounting treatment of transactions regarding business combinations under joint control, this transaction is accounted for under the "As Pooling" method. According to this method, Netvision reported the assets and liabilities of Barak and Globecall in its financial statements according to their book value on the financial statements of CII and the Company, as from the dates CII and the Company obtained control over Barak and Globecall, respectively. The difference between the share of the Company in the new shareholders' equity of Netvision and the Company's investment in Globecall and in Netvision before the transaction was included in the financial statements of the Company under a capital reserve, and as from the first quarter of 2007 the Company includes its share in the results of Netvision, on the basis of the said financial statements of Netvision.

3. In February 2007 the Brazilian company indirectly wholly owned by GVT Holding (NV), a 16% investee of the Company (hereinafter – GVT), executed an initial issuance of its shares to the public. In consideration of the issuance to the public, the Brazilian company received 1,013 million Brazilian reals (net, after the underwriters' commissions and issuance expenses). Before the issuance to the public, convertible debentures of the Brazilian company in the total amount of \$ 243 million were converted into shares of the Brazilian company. In total, the Brazilian company issued shares constituting 73.3% of its share capital after the issuance, and the holding of GVT in the share capital of the Brazilian company decreased to 26.7%. The Company's share in the earnings of GVT, which are mainly due to the capital gain GVT recognized in respect of the said issuance, amounted to NIS 108 million.
4. In January 2007 the Company sold its entire holding (50%) in General Engineers Ltd. for the price of NIS 10 million. The Company recorded an insignificant gain from the sale.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 2 - Investee Companies (cont'd)

A. Changes in investments during the first quarter of 2007 (cont'd)

5. Super-Sol Ltd. (hereinafter – Super-Sol), a 40% subsidiary of the Company

- a. In March 2007 the Company reached an agreement with a company controlled by Messrs. Matthew Bronfman and Shalom Ya'acov Fisher (hereinafter – the Bronfman-Fisher company) by which the Company would sell 19% of the issued share capital of Super-Sol to the Bronfman-Fisher company at a price per share of \$ 5.30 and a total consideration of \$ 214 million (subject to certain adjustments) in one transaction comprised of two phases: the first phase will be executed within 90 days from the day of the agreement, and the second phase will be executed in June 2008.

The agreement, as later amended, includes arrangements in respect of transactions involving Super-Sol shares and, inter alia, regarding first refusal rights of the Company in respect of sale of Super-Sol shares by the Bronfman-Fisher company; right of first offer by the Bronfman-Fisher company in respect of sale of Super-Sol shares by the Company (if such a sale should take place within one year from the date of executing the first phase of the transaction, the Bronfman-Fisher company has the right to purchase the shares at the aforementioned price per share, subject to certain adjustments); tag-along rights of each party to the sale of Super-Sol shares by the other party; and the Company's right, in the event of the sale of all its holdings in Super-Sol, to compel the Bronfman-Fisher company to tag-along with the sale transaction, all under certain conditions detailed in the agreement. The agreement (as amended) also includes instructions regarding, inter alia, the Company voting at general meetings of Super-Sol in favor of the appointment of directors, a few of which will be agreeable to the Bronfman-Fisher company, and instructions relating to the service of the Chairman, Deputy Chairman and Vice Chairmen of Super-Sol's Board of Directors without them having preferential voting rights in the board; and instructions relating to adoption of an annual maximum dividend policy by Super-Sol. These arrangements and instructions will become effective upon execution of the first phase of the transaction and will expire 20 years from that date or when one of the parties no longer holds 10% or more of Super-Sol's issued share capital as it is on the date of the agreement, according to the earlier of the two dates.

See Note 2B6 and Note 2C5 hereunder for further details on this transaction.

- b. In February 2007 Super-Sol issued to investors additional Series B debentures that were registered for trading on the Tel Aviv Stock Exchange (hereinafter – TASE). These debentures were issued for a total consideration of NIS 500 million, which reflects a yield to maturity of 4.3% for the debentures.

6. Property & Building Ltd. (hereinafter- Property & Building), a 61% subsidiary of the Company

- a. In January 2007 Property & Building raised NIS 500 million in a private placement of Series D debentures. These debentures bear interest of 4.95%, are linked to the CPI and are repayable in 6 equal annual payments as from 2020. In May 2007 Property & Building published a shelf registration prospectus, by which these debentures were registered for trading. Until the date the aforementioned debentures were registered for trading, Property & Building paid additional interest of 0.5% p.a. in their respect. Furthermore, in January 2007 Property & Building replaced Series A debentures with Series B debentures in an amount of NIS 261 million. In February and March 2007 Ispro and Gav Yam (subsidiaries of Property & Building) raised in debentures the amounts of

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 2 - Investee Companies (cont'd)

A. Changes in investments during the first quarter of 2007 (cont'd)

6. Property & Building Ltd. (cont'd)

NIS 180 million and NIS 518 million, respectively. Gav Yam registered the aforementioned debentures for trading, in the framework of a shelf registration prospectus it published in May 2007.

- b. In March 2007 a company registered in Holland, which is 42.5% held by a wholly owned subsidiary of Property & Building and 42.5% held by a foreign company of the Electra Real Estate Group, purchased rights in rental property located near the city of Keln in Germany.

The asset is a technological park having an area of 127 dunams, which includes 15 buildings and is comprised of 72,000 square meters of rental property and 1,600 stores. Furthermore, the park includes additional building rights for 50,000 square meters of rental property. The park is fully leased out. The gross annual rent amounts to €7.6 million (about NIS 42 million), and net of management and maintenance expenses the annual rent amounts to €7.25 million (about NIS 40 million).

The total cost of the asset including related expenses is €106.7 million (about NIS 588 million) of which the amount of €93.7 million (about NIS 517 million) was financed by means of a non-recourse loan from a German financial institution and the rest was financed by shareholders' equity. The loan bears interest at the rate of 5.25% for a period of 5 years and is secured by a first degree fixed lien on the asset and the receipts from the asset.

B. Changes in investments during the second quarter of 2007

1. Cellcom

- a. In June 2007 Cellcom distributed a cash dividend in the amount of NIS 198 million. The Company's share in the said dividend amounted to NIS 117 million.
- b. In May 2007 Cellcom decided to register for trading on the Tel Aviv Stock Exchange the shares of Cellcom that are registered for trading on the New York Stock Exchange, and to begin reporting only according to American law, subject to obtaining the approval of the holders of Cellcom's debentures (Series A and Series B) and the approvals required for registration of the shares for trading on the Tel Aviv Stock Exchange as aforementioned, which were received in June 2007. Following this, as from July 1, 2007 the shares of Cellcom are traded also on the Tel Aviv Stock Exchange and Cellcom has begun reporting as aforementioned.

2. Property & Building Ltd.

- a. In April 2007 Property & Building entered into an agreement with Gav Yam (a subsidiary of Property & Building) by which Property & Building shall purchase all the shares of Ispro held by Gav Yam, constituting 43.36% of the issued share capital and voting rights of Ispro, for the price of NIS 144.4 million (about NIS 110.7 million net of the dividend Ispro paid before completing the transaction). The consideration for the shares was determined on the basis of an independent valuation.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 2 - Investee Companies (cont'd)

B. Changes in investments during the second quarter of 2007 (cont'd)

2. Property & Building Ltd. (cont'd)

The transaction was completed in June 2007, after being approved by the general meeting of Gav Yam. The gain Gav Yam reported on the aforementioned transaction was eliminated in the financial statements of Property & Building, since the transaction is between two subsidiaries of Property & Building.

- b. In June 2007 IDB Development Corporation Ltd., the Company's parent company (hereinafter – IDB Development), and a subsidiary equally owned by Property & Building and IDB Development signed a binding memorandum with a private American company from the Elad Group that is controlled by Yitzchak Tshuva (hereinafter – Elad), regarding a joint venture of the said subsidiary and Elad, in equal parts, in the framework of which the parties will purchase real estate rights to 34.5 acres on the strip of Las Vegas, USA, on which the parties will construct a real estate project that will include a prestigious hotel, casino, commercial center and residential project. The real estate rights will be purchased from a third party according to a purchase agreement Elad signed with the third party before signing the aforementioned memorandum. Further details on this matter are provided in Paragraph b of Note 2C4 hereunder.

3. Koor Industries Ltd. (hereinafter – Koor), 45% held by the Company

- a. Koor announced that it is considering purchasing 5%-10% of the issued share capital of Makhteshim Agan Industries Ltd. (hereinafter – Makhteshim Agan), by means of a special purchase offer. No decision has as yet been made regarding the time, extent or terms of the purchase offer and there is no certainty that it will be executed. Makhteshim Agan is held by Koor at the rate of 39%.
- b. In May 2007 Koor raised the amount of NIS 640 million in an issuance of debentures that constituted an expansion of its existing CPI-linked series of debentures. The issuance price reflected interest of 4.05% p.a.
- c. In June 2007 the Company purchased 0.5% of the share capital of Koor on the Tel Aviv Stock Exchange for the price of NIS 25 million. See also Paragraph c of Note 2C2 hereunder.
- d. In the second quarter of 2007 Koor recorded capital gains in the total amount of NIS 60 million on the sale of its holdings (56.5%) in Sheraton Moriah Hotels Israel Ltd. and its holdings (9.16%) in Knafaim Holdings Ltd., as well as in respect of Koor's share in the gain recorded by ECI Telecom Ltd. (hereinafter – ECI), which was then 28% held by Koor, from the shares issued by Veraz Networks Inc. (hereinafter – Veraz), which is held by ECI, and from the sale of 2.25 million shares of Veraz by ECI.

4. In April 2007, Expand Networks Ltd. (hereinafter – Expand), at the time held by the Company at the rate of 17%, completed a capital raising in which it raised the amount of \$ 14 million. The Company invested \$ 7 million of this amount and the rest was invested by a foreign capital fund and some of the present shareholders of Expand in consideration for an issuance of preferred shares of Expand to the investors. Following the said raising of capital, the holding of the Company in Expand increased to about 29%.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 2 - Investee Companies (cont'd)

B. Changes in investments during the second quarter of 2007 (cont'd)

5. In May 2007 the Company and Elron purchased 5% of the share capital of Given Imaging Ltd. (hereinafter – Given) for the price of NIS 150 million, at equal parts and terms. As a result of the purchase, the Company acquired excess cost in the amount of NIS 68 million, which was mainly attributed to goodwill in the amount of NIS 28 million and to technology in the amount of NIS 35 million, and is amortized over 8-13 years.
6. The first part of the transaction described above in Paragraph a of Note 2A5 for selling shares of Super-Sol was executed in June 2007. Accordingly the Company sold 13.3% of the issued share capital of Super-Sol for the price of \$ 152 million (after adjustments). As a result, in the second quarter of 2007 the Company recorded a gain in the amount of NIS 353 million. See Note 2C5 regarding execution of the second phase of the transaction.

C. Changes in investments during the third quarter of 2007

1. In July 2007 the Company purchased all the holdings of S.H. Sky Investments (B.R.K.) Limited Partnership in Netvision (11.6%) for the price of NIS 180 million. Following the said purchase, the holding of the Company in Netvision increased to 35% and the Company acquired excess cost in the amount of NIS 109 million. The excess cost was attributed to tangible and intangible assets of Netvision as follows:

	<u>Excess cost</u> (NIS millions)	<u>Amortization period</u>
Customer relations	45	12 years, and according to the economic benefits anticipated from the customers in each period
Trademarks	7	8 years, and according to the economic benefits anticipated from the trademarks in each period
Orders backlog	2	1.5 years, and according to the economic benefits anticipated from the orders backlog in each period
Provision for tax	(16)	Corresponding to the items for which the provision was created.
Goodwill	71	
	<u>109</u>	

2. Koor

- a. In July 2007, at the request of Koor, its ADR units were delisted from the New York Stock Exchange. When it becomes possible under the circumstances, Koor intends to conclude registration of its shares with the American Securities and Exchange Commission, and to thus conclude its reporting requirements to the said authority.
- b. In July 2007, ECI signed a merger agreement by which ECI would be fully sold for the price of \$ 1.2 billion. The transaction was completed in September 2007. Upon the completion of the transaction, Koor received the amount of \$ 330 million in consideration of its entire holding in ECI (about 28%), and recorded on its books a gain in the amount of NIS 514 million.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 2 - Investee Companies (cont'd)

C. Changes in investments during the third quarter of 2007 (cont'd)

2. Koor (cont'd)

As a result, the Company recorded a loss in the amount of NIS 70 million, which takes into account the share of the Company in the gain Koor recorded as aforementioned, net of the excess cost on the books of the Company that is attributed to the holding of Koor in ECI.

- c. In July 2007 the Company purchased 3% of the share capital of Koor on the stock exchange for the price of NIS 129 million. See also Note 4E1 hereunder. As a result of this purchase, the Company acquired excess cost in the amount of NIS 81 million, which is attributed mainly to goodwill in the amount of NIS 30 million, to customer relations – NIS 12 million amortized over 15 years, to technology – NIS 15 million amortized over 6-10 years, and to trademarks – NIS 8 million amortized over 5 years.
- d. In September 2007 Koor distributed a dividend in the amount of NIS 150 million. The Company's share in the dividend amounted to NIS 68 million.

3. Cellcom

- a. In September 2007 Cellcom distributed a cash dividend in the amount of NIS 201 million. The Company's share in the aforementioned dividend amounted to NIS 117 million.
- b. In September 2007 the Company sold 3% of the issued share capital of Cellcom for the price of NIS 286 million. As a result, the Company recorded a gain in the amount of NIS 147 million and its holding in Cellcom decreased to 56% of the issued share capital and 61.5% of the voting rights. In the sale agreement, the Company undertook to not sell shares of Cellcom for a period of 120 days from the date of completing the transaction (September 24, 2007).
- c. In October 2007, subsequent to balance sheet date, the Supreme Court handed down two new rulings that relate to its previous ruling from November 2006 regarding allowing for tax purposes financing expenses that may be attributed by the tax authority to the financing of a dividend distribution. As at June 30, 2007 Cellcom had on its books a provision for tax in the amount of NIS 72 million, based on the possibility that part of the financing expenses of Cellcom will not be allowed for tax purposes.
As a result of the new rulings of the Supreme Court from October 2007, and on the basis of the opinion of its legal advisors, Cellcom reversed the aforementioned provision, and reduced the tax expenses in the third quarter of 2007 by the amount of NIS 72 million. The Company's share in the reversal of the said provision amounts to NIS 42 million. See Note 24K of the annual financial statements for more details.

4. Property & Building

- a. In July 2007 Property & Building raised the amount of NIS 892 million in an issuance of debentures to institutional investors and the public in accordance with the shelf registration prospectus mentioned in Paragraph a of Note 2A6 above. This issuance was an expansion of its existing series of CPI-linked debentures (Series C and D). The price of the debentures in the aforementioned issuance reflected interest of 4.08% p.a. with respect to Series C and of 4.8% with respect to Series D.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 2 - Investee Companies (cont'd)

C. Changes in investments during the third quarter of 2007 (cont'd)

4. Property & Building (cont'd)

- b. Further to that mentioned in Paragraph b of Note 2B2 above regarding the binding memorandum that was signed between IDB Development and a subsidiary equally owned by Property & Building and IDB Development (hereinafter – the subsidiary) with Elad regarding a joint venture for a real estate project in Law Vegas, in August 2007 the purchase of the real estate in Las Vegas was completed. The project is anticipated to include a prestigious hotel, casino, modern commercial center and exclusive residential towers over a total built area of 1.5 million square meters that will be built in a number of stages. The total area of the real estate is 34.5 acres (16.2 acres of which are leased). The acquisition was carried out by an entity held jointly in equal parts (“the project company”) by the subsidiary and Elad.

The investment in the real estate amounted to \$ 1.24 billion. For the purpose of the acquisition, the project company took out a loan in the total amount of \$ 625 million, in two layers, that bears an effective weighted interest rate of Libor + 3.8% p.a. (calculated according to the stated interest rates of Libor + 2.75% and Libor + 4% with the addition of certain commissions and payments), and is guaranteed by a first degree lien on the land (the lenders agreed that the first layer lenders have priority over the lien before the second layer lenders). The loan is for one year and can be extended for two periods of half a year each, under certain circumstances, for the payment of an extension commission in respect of each of the extension periods at the rate of 0.25%. The balance of the investment, in the amount of \$ 600 million, was financed by the parties. The investment in the various stages of the project is anticipated to amount to an additional cost of \$ 5-7 billion, which will be financed by shareholders’ equity and external financing, and execution of the project is anticipated to take four to five years.

Upon concluding the acquisition of the real estate, the parties signed a collaboration agreement that replaces the memorandum they signed in June 2007. This agreement provides, inter alia, for the establishment of a joint steering committee comprised of two representatives of each party. The steering committee will be responsible for management of the project, including all the material decisions regarding the project.

The parties granted to each other first refusal and tag along rights if they should sell their rights in the project to a third party. Property & Building as well as IDB Development guaranteed the liabilities of the subsidiary in equal parts (without mutual liability). Furthermore, in the collaboration agreement the parties agreed as follows: a) the subsidiary and Elad will have equal rights and obligations in the joint venture, including equal rights to profits; b) in addition to the amount of \$ 60 million the subsidiary undertook to pay to Elad in respect of the share of the subsidiary in payments made by Elad in the past in respect of the project, the subsidiary will pay to Elad an additional amount of \$ 15 million, of which \$ 10 million will be paid within 10 days from the date of completing the acquisition of the real estate and \$ 5 million upon receipt of the first building permit for the project. The parties also agreed to try and execute cash distributions at the maximum amounts possible.

5. Super-Sol

Further to that mentioned in Paragraph a of Note 2A5 above regarding the sale of 19% of the issued share capital of Super-Sol in two phases, in September 2007 the Company signed an additional agreement, by which the parties moved up execution of the second phase of the transaction from the original date of June 2008 to September 2007.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 2 - Investee Companies (cont'd)

C. Changes in investments during the third quarter of 2007 (cont'd)

5. Super-Sol (cont'd)

As a result, in September 2007 the Company sold to the Bronfman-Fisher company 5.7% of the issued share capital of Super-Sol for the price of \$ 65.6 million, and provided to the Bronfman-Fisher company a loan in the amount of \$ 22.25 million in order to pay the aforementioned amount. This loan bears interest of 6% p.a. and will be repaid in June and September 2008.

Following the execution of this transaction, the Company recorded a gain of NIS 153 million and its holding in Super-Sol decreased to 40% (this rate includes a relative part of the shares of Super-Sol that are held by a wholly owned subsidiary of Super-Sol).

6. In August 2007 the Company entered into an agreement with Praxair Inc. to buy its entire holding (about 50%) in Maxima Air Separation Center (hereinafter – Maxima) for the price of US\$ 24 million. Maxima is held by the Company at the rate of 24%. The transaction is subject to the various approvals required by law, including the approval of the general shareholders' meeting of Maxima and the approval of the Commissioner of Restrictive Trade Practices.

Note 3 - Events in the Current Period

- A. In March 2007 the Company executed a private placement to institutional investors of Series D and Series F debentures of the Company for a total consideration of NIS 700 million. The debentures are an expansion of the existing series of debentures of the Company. Prior to the said issuance the existing Series D debentures of the Company were registered for trading on the stock exchange and the existing Series F debentures of the Company were not registered for trading on the stock exchange. In this private placement the Company issued NIS 514,361,034 par value of Series D debentures for a consideration of NIS 567 million, at the price of NIS 1.102 per each NIS 1 par value of debentures from this series, which reflects a yield to maturity of 4.48%. The Company also issued NIS 130,180,000 par value of Series F debentures for a consideration of NIS 133 million, at the price of NIS 1.023 per each NIS 1 par value of debentures from this series, which reflects a yield to maturity of 4.80% (without taking into account additional interest of 0.5% p.a. that these debentures bear until they are registered for trading on the stock exchange). The debentures that were issued as aforementioned are in addition to the existing Series D and Series F debentures of the Company, and their terms are identical to the terms of the existing debentures of those series, respectively.
- B. In May 2007 the Company raised NIS 5.18 million in a private placement of Series G debentures, in an expansion of the Company's existing series of debentures.
- C. In May 2007 the Company published a prospectus on the basis of its financial statements for December 31, 2006, in order to offer in a shelf registration prospectus shares, convertible debentures, non-convertible debentures, and options exercisable into shares and debentures, and for the purpose of listing for trade on the stock exchange the Series F debentures and Series G debentures that were allotted in a private placement to institutional investors and others. This prospectus will also be used in order to release from lock-up the Series C debentures and Series D debentures of private placements made in 2006 and March 2007.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 3 - Events in the Current Period (cont'd)

- D.** In June 2007 the Company issued debentures to institutional investors and the public in accordance with the shelf registration prospectus mentioned in Paragraph C above, in the framework of which it raised the amount of NIS 366 million by means of expanding its existing CPI-linked Series F debentures, with the price of the debentures in this placement reflecting interest of 4.76% p.a., and the amount of NIS 187 million by means of issuing new debentures (Series H). This series bears interest of 4.45%, is linked to the CPI and will be repaid in 6 equal payments as from 2014.
- E.** In June 2007 the Company distributed a cash dividend in the amount of NIS 816 million, constituting NIS 10.484 per each ordinary share. In September 2007 the Company distributed an additional cash dividend in the amount of NIS 900 million, constituting NIS 11.563 per each ordinary share.

Note 4 - Subsequent Events

- A.** In October 2007 the Company published a shelf registration offer in accordance with the shelf registration prospectus it published in May 2007. In this offer, the Company offered to the public 800 thousand units by means of a tender on the price of the unit, at a minimum amount of NIS 500 million. Each unit included 5 ordinary shares and 5 options (Series 1). Each option is exercisable into one share as from the date of issuance until December 2, 2007, at the price of NIS 125 per option. Before the publication of the shelf registration offer, the Company received early commitments from classified investors, by which the classified investors submitted orders for 574 thousand units in the tender for the price of NIS 360 million. In the public tender, orders were made for 904 thousand units (including orders in the framework of the early commitments of classified investors), at a total amount of NIS 569 million. A unit price of NIS 625 was established in the tender, which is also the minimum unit price stated in the shelf registration offer. The Company responded to 864 thousand units for the price of NIS 540 million, and it issued 4,320,000 shares and 4,320,000 options.
- B. Cellcom**
1. In October 2007 Cellcom raised the amount of NIS 1,072 million in an issuance to the public in Israel of two series of debentures that were listed for trading on the Tel Aviv Stock Exchange. The aforementioned debentures are linked to the CPI. One series, in the amount of NIS 245 million, bears interest of 4.6% p.a. and is repayable in nine equal semi-annual payments as from March 2009. The second series, in the amount of NIS 827 million, bears interest of 5.19% p.a. and is repayable in five equal semi-annual payments as from July 2013.
 2. In November 2007 Cellcom voluntarily made a partial early repayment of 50% of the loan it had received from a syndicate of banks, in the total amount of \$ 140 million (comprised of a dollar component of \$ 85 million and a shekel component of NIS 253 million). The payment was made in accordance with the terms of the financing agreement. After the aforementioned early repayment, the balance of the loan amounts to a total of \$ 140 million (comprised of a dollar component of \$ 85 million and a shekel component of NIS 253 million). See Note 13D1 of the annual financial statements for more details.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 4 - Subsequent Events (cont'd)

B. Cellcom (cont'd)

3. In November 2007 the board of directors of Cellcom declared the distribution of a cash dividend in the amount of NIS 256 million that will be paid in December 2007. The Company's share in the aforementioned dividend shall amount to NIS 143 million.

C. Property & Building

1. In November 2007 Property & Building issued, by means of rights, 1,688,280 ordinary shares of a par value of NIS 1, in accordance with its shelf registration offer from October 2007. Each share was issued for the price of NIS 500 in cash, and the issuance proceeds amounted to NIS 844 million, net. The Company participated in its entire share of the said issuance of rights, and it purchased rights to an additional 278,500 ordinary shares of Property & Building in the course of the stock exchange trade in such rights. In total the Company paid the amount of NIS 666 million for its share in the issuance of rights and for the additional rights and their exercise into shares, and the Company's holding in Property & Building increased to 65%.
2. In October 2007 Property & Building (by means of a wholly owned subsidiary) and Amot Investments Ltd. (hereinafter – the buyers) signed a memorandum, in equal parts, with a company wholly owned by Azorim Investment Development and Construction Ltd. (hereinafter – the seller), by which the buyers shall purchase from the seller all its rights in an asset known as the “Kiryat Ono Mall” (hereinafter – the mall), for the price of NIS 830 million plus VAT as required by law.
Property & Building shall finance its share in the purchase of the mall in the amount of NIS 415 million, as well as the taxes on the transaction, out of its own resources. The buyers deposited the amount of NIS 36 million in a trust account on account of the consideration.
The parties shall sign a detailed contract within 45 days from the date of signing the memorandum, during which the buyers shall perform a due diligence examination. The signing of a detailed contract is subject to the approval of the boards of directors of all parties.

D. Super-Sol

In November 2007 the board of directors of Super-Sol decided to distribute a dividend in the amount of NIS 350 million, which will be paid in December 2007. The Company's share in the said dividend shall be NIS 133 million.

E. Koor

1. In October 2007 the Company purchased 1.3% of the share capital of Koor on the stock exchange for the price of NIS 71 million. As a result, the Company's holding in Koor increased to 46%.
2. In November 2007 the board of directors of Koor approved the distribution of a dividend in the amount of NIS 380 million, which will be paid in December 2007. The Company's share in the said dividend shall be NIS 176 million.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 4 - Subsequent Events (cont'd)

F. American Israeli Paper Mills Ltd., a 21% investee of the Company (hereinafter – AIPM)

In October 2007 the board of directors of AIPM approved a private placement of AIPM shares, which will be offered in part to the Company and to CII, the controlling shareholders of AIPM, and in part to institutional and other investors.

In the private placement it is planned to raise the amount of NIS 210 million, which will be used to partly finance the purchase of a new system for manufacturing wrapping paper by AIPM. The Company's investment in AIPM, in the framework of this private placement, shall amount to NIS 46 million, following which the Company's holding in AIPM is anticipated to increase from 21.37% to 21.43%. The issuance is subject to various approvals, including the approval of AIPM's general meeting.

- G.** On the date of approval of the financial statements, the Company's Board of Directors decided to distribute a cash dividend in the amount of NIS 360 million. The dividend shall be distributed on December 24, 2007, with the date of record being December 9, 2007 and the ex-day being December 10, 2007.

Note 5 - Contingent Liabilities

The amounts of the claims described below are true for the dates on which they were filed, unless otherwise indicated.

- A.** See Notes 18 and 19 of the annual financial statements regarding claims pending against the Company and its investee companies as at the date of approval of these financial statements.

B. Changes after approval of the annual financial statements with respect to claims and contingent liabilities preceding the reported period

1. Further to that mentioned in Note 18A2 of the annual financial statements regarding a claim against the Company and a number of its wholly owned subsidiaries (hereinafter together – the DIC Group) involving certain matters relating to Tevel Israel International Communications Ltd. (a former investee company), which was submitted to the Tel Aviv Jaffa District Court in May 2004:

In April 2007 a compromise was signed between the plaintiffs and the DIC Group, which was given the force of a judgment, by which without admitting to any of the plaintiffs' allegations, the DIC Group paid to them the amount of \$ 1.5 million for the dismissal of all their claims and allegations against the DIC Group, and it is possible that it will pay them in the future an additional amount of up to \$ 116 thousand under certain specified circumstances.

2. Further to that mentioned in Paragraph c of Note 18B1 of the annual financial statements regarding an appeal to the Supreme Court on the ruling of the Tel Aviv Jaffa District Court from June 2004, to dismiss a claim and a request to certify it as a class action in the amount of NIS 135 million that were filed against Cellcom with the said District Court in August 2001:

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 5 - Contingent Liabilities (cont'd)

B. Changes after approval of the annual financial statements with respect to claims and contingent liabilities preceding the reported period (cont'd)

In July 2007, in the framework of the aforementioned appeal, the Supreme Court accepted the mutual request of the parties, which was submitted in light of the Class Actions Law – 2006, to remand to the Tel Aviv Jaffa District Court the claim and the request to certify it as a class action.

In the opinion of the management of Cellcom, which is based on the opinion of its legal counsel, Cellcom has good defense arguments against certification of the claim as a class action. Therefore no provision was included in the financial statements of Cellcom in respect thereto.

3. Further to that mentioned in Paragraph b of Note 18C1 of the annual financial statements regarding the decision of the Supreme Court from December 2006 to remand to the Haifa District Court the request to certify a class action on behalf of the public shareholders of Elscint Ltd, a former investee company of Elron, against various defendants including Elron and a number of its officers, that was filed with the said District Court in November 1999:

In June 2007 the plaintiffs submitted to the Haifa District Court a revised statement of claim and a revised request to certify the claim as a class action. The revised claim requests relief of monetary compensation in respect of damages caused by the failure to execute the purchase offer of Elscint's shares and other matters as alleged by the plaintiffs, but does not request relief of enforcing the purchase offer of Elscint's shares that was included in the original claim. The revised claim does not specify the amount demanded but includes various arguments regarding the method of determining the damages caused to the plaintiffs, which depends, inter alia, on the specific circumstances of each individual shareholder of Elscint and the nature of the alleged damages.

Elron rejects the allegations raised against it in the revised claim. In the opinion of the management of Elron, which is based on the opinion of its legal counsel, Elron has good defense arguments in respect of this claim to the extent it is directed against Elron, and it is not probable (meaning, more likely than not) that the Court will accept the claim against Elron. Therefore, no provision was included in the financial statements of Elron in respect thereto.

4. Further to that mentioned in Paragraph j of Note 18B1 of the annual financial statements regarding a claim and a request to certify the claim as a class action in the amount of NIS 159 million that were filed with the Tel Aviv Jaffa District Court against Cellcom, two other cellular operators and two landline operators in November 2006:

In October 2007, subsequent to balance sheet date, the claim and the request to certify the claim as a class action against Cellcom and the other two cellular operators was dismissed at the request of the plaintiffs. The reason for this is a procedural arrangement between the plaintiffs in this claim and the plaintiffs in a similar pending claim and request that were filed against Cellcom and two other cellular operators in August 2006, which are described in Paragraph h of Note 18B1 of the annual financial statements.

C. New contingent liabilities and claims filed during and subsequent to the reported period

1. In April 2007 a monetary claim and a request to certify the claim as a class action were filed with the Tel Aviv-Jaffa District Court against Cellcom by two plaintiffs who contend they are customers of Cellcom. In the claim it is alleged that Cellcom raised its rates unlawfully and contrary to its license, in plans that include a period of commitment to a basket of services. If the claim is certified as a class action, the plaintiffs estimate the amount claimed from Cellcom at NIS 230 million.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 5 - Contingent Liabilities (cont'd)

C. New contingent liabilities and claims filed during and subsequent to the reported period (cont'd)

In May 2007 an additional claim containing similar allegations was filed with the Tel Aviv-Jaffa District Court by two other plaintiffs who contend they are customers of Cellcom, as well as a request to certify the claim as a class action according to the Class Actions Law. If the claim is certified as a class action, the plaintiffs estimate the amount claimed from Cellcom at NIS 875 million.

In the opinion of the management of Cellcom, which is based on the opinion of its legal advisors, Cellcom has sound defense arguments against certification of the claims as a class action and therefore no provision was included in respect thereto in the financial statements of Cellcom.

2. Further to that mentioned in Paragraph k3 of Note 18B1 of the annual financial statements regarding a claim against Cellcom and a request to certify the claim as a class action in the amount of NIS 33 million, which were filed in February 2007 with the Tel Aviv-Jaffa District Court: in May 2007 the said claim and request were dismissed at the request of the plaintiff.
3. In May 2007 the Ministry of Communications announced its intention to impose monetary sanctions on the telephony companies, including Cellcom and Cellcom Line Communications Limited Partnership (hereinafter – the Cellcom Partnership) because of the failure to implement and put into operation number portability as from September 1, 2006. The monetary sanction specified in the announcement of the Minister of Communications for the period from September 1, 2006 to November 30, 2007 is NIS 3 million for Cellcom and the Cellcom Partnership each (NIS 6 million in total). As from December 1, 2007 (the new target date of the Ministry of Communications for implementing number portability), if number portability is not implemented, the monetary sanction for Cellcom will amount to NIS 0.3 million per each additional day in which number portability is not implemented by Cellcom and the Cellcom Partnership. Cellcom and the Cellcom Partnership submitted to the Ministry of Communications their objection to the aforementioned sanctions. For further details see Note 19B3 of the annual financial statements.
4. In July 2007, Cellcom received a ruling of the Magistrates Court by which the exemption provided in the Communications Law (Bezeq and Broadcasting) – 1982 from obtaining a building permit for an access facility (hereinafter – the exemption provision) does not apply to an access facility of a mobile network and that permits have to be obtained for building and using the facility and related equipment; which is contrary to previous and later rulings of the Magistrates Court by which the exemption provision also applied to mobile network access facilities. This principal issue is being deliberated in an appeal (in the District Court).
5. In July 2007, Cellcom received a motion that was filed with the High Court of Justice against the Minister of the Environment, the Minister of the Interior and the Minister of Communications, as the primary respondents, and against Cellcom and 3 other cellular operators as formal respondents. In the said motion the petitioners request to annul the exemption provision on the basis of which Cellcom erected access facilities without requesting building permits in respect thereto.
The petitioners also request that the permits that were granted be revoked and that no further permits for access facilities be granted by the Ministry of the Environment on the basis of the exemption provision. The motion also includes a request for a temporary injunction preventing

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 5 - Contingent Liabilities (cont'd)

C. New contingent liabilities and claims filed during and subsequent to the reported period (cont'd)

the granting of permits to build or operate base sites, on the basis of the exemption provision, until the High Court of Justice has rendered a decision on the principal request. The motion was denied in August 2007 on the grounds of the petitioners not having exhausted other proceedings before filing the motion.

In October 2007, subsequent to balance sheet date, the interior and environment committee of the Knesset approved the Non-Ionized Radiation Regulations – 2007. The regulations prohibit the erection of cellular sites in residential apartments, including balconies. The Minister of the Environment was granted the authority to approve the erection of cellular sites and their operation on roof balconies, in certain exceptions. The prohibition does not apply to sites that were granted an operation permit before the effective date of the regulations. Cellcom shall decide upon the measures it will take, if any, after the legislation process of the regulations is completed and their final version is published. See Note 19B4 of the annual financial statements for more details.

6. In September 2007 a claim and a request to certify the claim as a class action were filed with the Jerusalem District Court against Cellcom and two other cellular operators (hereinafter – the defendants) by three plaintiffs who contend that they are customers of the defendants. The plaintiffs allege that the defendants charge their customers in respect of SMS messages that are sent to subscribers who have chosen to block the possibility of receiving SMS messages, and/or that they mislead the senders by providing an indication on their cellular phones that their message has been sent. If the claim is certified as a class action, the plaintiffs estimate the amount claimed from the defendants at NIS 182 million, without specifying the amount claimed from Cellcom. At this initial stage, the management of Cellcom is unable to evaluate the chances of the claim and the request to certify it as a class action. Therefore, no provision was included in the financial statements of Cellcom in respect of this claim.

7. In September 2007 the general license under which Cellcom operates was changed so that Cellcom is not allowed to offer to its customers plans based on an air time unit that is different from the basic air time unit provided in the general license (which is presently 12 seconds and as from January 1, 2009 will be one second). Cellcom has taken steps to contend with the effects of the change in its license, and it is presently unable to evaluate the potential effect of the change on its financial results.

8. In October 2007 a claim and a request to certify the claim as a class action were filed by three plaintiffs with the Be'er Sheva District Court against a subsidiary of Makhteshim Agan Industries Ltd. (hereinafter – Makhteshim Agan), a 39% investee of Koor.

The claim and the request to certify it as a class action involve the alleged pollution of the air with dangerous substances by the defendant in its plant at Ramat Hovav. The group indicated by the plaintiffs in their claim is the entire population of the various Bedouin settlements, Be'er Sheva, Revivim and Segev Shalom, in respect of the period from January 1, 2001 to August 13, 2007.

In the claim the plaintiffs request compensation for themselves and the members of the group in respect of the alleged damage to the “autonomy” of the group members and in respect of “medical observation”. The plaintiffs estimate the total amount of the compensation requested in the class action at NIS 1,086 thousand. Alternatively, the plaintiffs request that an order to provide relief to the public be issued. The plaintiffs also request a ruling for fees and legal expenses.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 5 - Contingent Liabilities (cont'd)

C. New contingent liabilities and claims filed during and subsequent to the reported period (cont'd)

The defendant intends to reject the allegations in the claim and in the request to certify it as a class action. At this initial stage, the management of Makhteshim Agan is unable to evaluate whether the claim will be certified as a class action, and the chances of the claim should it be certified. Makhteshim Agan has not made any provisions in its financial statements in respect of this claim.

9. In August 2007 a claim was filed in Nevada, USA, by an American corporation against companies of the Elad Group that is controlled by Yitzchak Tshuva and a company held indirectly by a company of the Elad Group and Property & Building. It is alleged that the defendants violate the plaintiff's rights in the "Plaza" trademark in Nevada. The plaintiff requested, inter alia, to receive an injunction against the defendants that prohibits them from using the "Plaza" trademark in Nevada, as well as monetary relief in an unspecified amount. In the opinion of Property & Building, the claim is not expected to have a material effect on Property & Building and it does not expect incurring a significant monetary expense in its respect.

10. In September 2007 a claim and a request to certify the claim as a class action were filed with the Tel Aviv Jaffa District Court against Netvision, Nana 10 Ltd. (hereinafter – Nana 10) (which 50% of its shares are held by Netvision), other companies that operate electronic commerce websites and various suppliers (hereinafter – the defendants). The claim relates to online auctions on the internet (hereinafter – the auctions).

In the claim it is alleged that the defendants or someone on their behalf unfairly interfere in auctions by using fictive participants for the purpose of raising the final prices of products offered for sale in these auctions, or that they have made such interference possible.

The plaintiffs request from the Court to provide various relief against the defendants, including declaratory orders and the imposing of monetary charges. The plaintiffs do not specify the amount claimed.

In the opinion of Netvision, which is based on the opinion of its legal counsel, it is not possible at this early stage to evaluate the chances of the request to certify the claim as a class action to the extent it is directed against Netvision and Nana 10. Accordingly, no provision was included in respect thereto in the financial statements of Netvision.

11. In November 2007 a claim and a request to certify the claim as a class action were filed against Cellcom with the District Court of Central Region by a plaintiff who contends to be a customer of Cellcom. The plaintiff alleges that Cellcom charged its customers in respect of content services without receiving the specific approval of the customers to do so in a manner that complies with the provisions of Cellcom's license. If the claim is certified as a class action, the amount claimed from Cellcom is estimated by the plaintiff to be NIS 432 million. At this initial stage, the management of Cellcom is unable to evaluate the chances of the claim and the request to certify it as a class action. Therefore no provision was included in these financial statements in respect thereto.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 6 - Business Segments

	<u>Communications</u>			<u>Technology</u>		<u>Retail</u> <u>and</u> <u>services</u>	<u>Real-</u> <u>estate</u>	<u>Industry</u>	<u>Total</u>		
	<u>N</u>	<u>I</u>	<u>S</u>	<u>m</u>	<u>i</u>	<u>l</u>	<u>l</u>	<u>i</u>		<u>o</u>	<u>n</u>
Data from the statement of income for the nine months ended September 30, 2007 (Unaudited):											
Revenues of the segment	4,466			-		7,317	612	-			12,395
The Company's equity in net earnings (losses) of affiliated companies	103			(72)		(5)	34	(61)			(1)
Gain (loss) on sale, adjustment and reduction of investments	761			1		501	164	(3)			1,424
Management fees and other income, net	2			-		6	5	-			13
Total revenues (losses) for the period	<u>5,332</u>			<u>(71)</u>		<u>7,819</u>	<u>815</u>	<u>(64)</u>			<u>13,831</u>
Segment results for the period	<u>1,906</u>			<u>(71)</u>		<u>793</u>	<u>471</u>	<u>(64)</u>			<u>3,035</u>
Data from the statement of income for the nine months ended September 30, 2006 * (Unaudited):											
Revenues of the segment	4,253			-		6,686 **	628	-			11,567
The Company's equity in net earnings (losses) net, of affiliated companies	19			(59)		7 **	21	(17)			(43)
Gain on sale and reduction of investments	336			26		19 **	2	35			418
Management fees and other income, net	-			2		5	4	1			12
Total revenues (losses) for the period	<u>4,608</u>			<u>(31)</u>		<u>6,703</u>	<u>655</u>	<u>19</u>			<u>11,954</u>
Segment results for the period	<u>1,094</u>			<u>(31)</u>		<u>203</u>	<u>251</u>	<u>19</u>			<u>1,536</u>

* See note 1.c.2 regarding restatement.

** Reclassified.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 6 - Business Segments (cont'd)

	<u>Communications</u>			<u>Technology</u>		<u>Retail</u> <u>and</u> <u>services</u>	<u>Real-</u> <u>estate</u>	<u>Industry</u>	<u>Total</u>		
	<u>N</u>	<u>I</u>	<u>S</u>	<u>m</u>	<u>i</u>	<u>l</u>	<u>l</u>	<u>i</u>		<u>o</u>	<u>n</u>
Data from the statement of income for the three months ended September 30, 2007 (Unaudited):											
Revenues of the segment	1,572			-		2,448	212	-			4,232
The Company's equity in losses of affiliated companies	(3)			(39)		(2)	(2)	(114)			(160)
Gain (loss) on sale, adjustment and reduction of investments	144			-		147	152	(2)			441
Management fees and other income, net	-			-		2	2	-			4
Total revenues (losses) for the period	<u>1,713</u>			<u>(39)</u>		<u>2,595</u>	<u>364</u>	<u>(116)</u>			<u>4,517</u>
Segment results for the period	<u>501</u>			<u>(39)</u>		<u>257</u>	<u>245</u>	<u>(116)</u>			<u>848</u>
Data from the statement of income for the three months ended September 30, 2006 * (Unaudited):											
Revenues of the segment	1,489			-		2,380 **	212	-			4,081
The Company's equity in net earnings (losses), of affiliated companies	11			(25)		(1) **	11	(27)			(31)
Gain (loss) on sale and reduction of investments	2			29		3	(1)	(1)			32
Management fees and other income, net	-			-		-	1	1			2
Total revenues (losses) for the period	<u>1,502</u>			<u>4</u>		<u>2,382</u>	<u>223</u>	<u>(27)</u>			<u>4,084</u>
Segment results for the period	<u>290</u>			<u>4</u>		<u>70</u>	<u>81</u>	<u>(27)</u>			<u>418</u>

* See note 1.c.2 regarding restatement.

** Reclassified.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Note 6 - Business Segments (cont'd)

	<u>Communications</u>			<u>Technology</u>		<u>Retail and services</u>	<u>Real- estate</u>	<u>Industry</u>	<u>Total</u>		
	<u>N</u>	<u>I</u>	<u>S</u>	<u>m</u>	<u>i</u>	<u>l</u>	<u>l</u>	<u>i</u>	<u>o</u>	<u>n</u>	<u>s</u>
Data from the 2006 * statement of income (Audited):											
Revenues of the segment	5,706			-		9,152		810		-	15,668
The Company's equity in net earnings (losses) of affiliated companies	25			(34)		2		7		(64)	(64)
Gain on sale and reduction of investments	334			26		3		82		46	491
Management fees and other income, net	3			2		6		6		1	18
Total revenues (losses) in 2006	<u>6,068</u>			<u>(6)</u>		<u>9,163</u>		<u>905</u>		<u>(17)</u>	<u>16,113</u>
Segment results for 2006	<u>1,310</u>			<u>(6)</u>		<u>266</u>		<u>382</u>		<u>(17)</u>	<u>1,935</u>

* See note 1.c.2 regarding restatement.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Annex to the Financial Statements of Discount Investment Corporation Ltd. as at September 30, 2007

Details relating to major investments in the consolidated balance sheet as at September 30, 2007

	Equity and voting rights	Carrying value of the investment		Adjustments *	Total	Market value of the marketable shares as at					
		(1)				Sep. 30 2007	Nov. 19 2007				
		N	I								
	%		S	m	i	l	l	i	o	n	s
Communications											
GVT (Holding) N.V.	16			(15)		128					
Netvision Ltd.	35					371		390			374
Cellcom Israel Ltd. (voting – 61%)	56			15		2,607		5,326			6,305
Technology											
Elron Electronic Industries Ltd.	49			97		568		742			650
Expand Networks Ltd.	29			(1)		27					
Given Imaging Ltd.	16			8		168		529			472
Galil Medical Ltd.	13					13					
Scailex Vision (Tel Aviv) Ltd.	7					5					
Cosmocom Inc.	10					10					

* Adjustments from the translation of financial statements of investee companies will be included in the statement of income if the investment is realized.

** Includes a holding through subsidiaries of the investee company.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Annex to the Financial Statements of Discount Investment Corporation Ltd. as at September 30, 2007 (cont'd)

Details relating to major investments in the consolidated balance sheet as at September 30, 2007

	Equity and voting rights %	Carrying value of the investment (1)		Adjustments * m	Total	Market value of the marketable shares as at			
		N	I			S	l	l	i
Retail and services									
Bartan Holdings & Investments Ltd.	56		17		17				
Brinks (Israel) Ltd.	10		-		-				
Isrotel Ltd.	3		6		6	15		17	
Super-Sol Ltd. ** (voting – 42%)	40		744		744	1,251		1,355	
Real-estate									
Property and Building Corporation Ltd. (see also note 4.c.1)	61		1,185	28	1,213	1,505		1,397	
Industry									
Ham-Let (Israel- Canada)Ltd.	45		113	11	124	313		266	
Koor Industries Ltd. (see also note 4.E.1)	45		2,054	171	2,225	2,414		2,453	
Makhteshim Agan Industries Ltd.	0.2		27		27	37		35	
American Israeli Paper Mills Ltd. (see also note 4.F)	21		105	57	162	209		191	
Maxima Air-Separation Center Ltd. ** (see also note 2.c.6)	24		24		24	35		36	
Other companies			41						
Total			8,109						
Less investment in subsidiaries			(4,562)						
Add provision for losses of investee companies			17						
Add investments and loans of subsidiaries			1,401						
			<u>4,965</u>						

* Adjustments from the translation of financial statements of investee companies will be included in the statement of income if the investment is realized.

** Includes a holding through subsidiaries of the investee company.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at September 30, 2007

Annex to the Financial Statements of Discount Investment Corporation Ltd. as at September 30, 2007 (cont'd)

Details relating to major investments in the consolidated balance sheet as at September 30, 2007 (cont'd)

- (1) The carrying value of the shares, including loans granted.
- (2) The Company and some of its investee companies are subject to restrictions under law with respect to the execution of new investments and the increase of existing investments in investee companies under certain circumstances. In addition, the provisions of certain laws and the terms of the licenses and concessions in the communications area, which were granted to a number of the Company's investee companies, include prohibitions against cross ownership which may limit the Company's ability to take advantage of business opportunities for new investments or to increase existing investments in this area.
- (3) The Company's investments in investee companies include, inter alia, shares of companies the sale of which is subject to certain restrictions. In particular, the Company's ability to sell its shares in Cellcom to non-Israeli parties is limited.