

Translation from Hebrew

DBS SATELLITE SERVICES (1998) LTD.

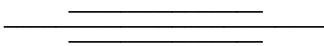
2003 ANNUAL REPORT

DBS SATELLITE SERVICES (1998) LTD.

2003 ANNUAL REPORT

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Translation from Hebrew

AUDITORS' REPORT

To the shareholders of
DBS SATELLITE SERVICES (1998) LTD.

We have audited the balance sheets of DBS Satellite Services (1998) Ltd. (hereafter - the Company) as of December 31, 2003 and 2002 and the related statements of operations, changes in capital deficiency and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Israel, including those prescribed by the Israeli Auditors (Mode of Performance) Regulations, 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2003 and 2002 and the results of its operations, the changes in its capital deficiency and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in Israel. Furthermore, in our opinion, the financial statements referred to above are prepared in accordance with the Israeli Securities (Preparation of Annual Financial Statements) Regulations, 1993.

As explained in note 1b, the financial statements referred to above are presented in values adjusted for the changes in the general purchasing power of Israeli currency, in accordance with pronouncements of the Institute of Certified Public Accountants in Israel.

Without qualifying our opinion, we draw attention to note 1a(2) regarding the financial position of the Company and the financing agreements with banks and with the Company's shareholders, including the non-compliance with some of the terms stipulated in such agreements. As explained in the abovementioned note, the Company's activity depends on the receipt of additional loans from shareholders under the financing agreements.

Tel Aviv
February 18, 2004

DBS SATELLITE SERVICES (1998) LTD.

BALANCE SHEETS

IN ADJUSTED NIS

	Note	December 31	
		2003	2002
		In thousands	
A s s e t s	10		
CURRENT ASSETS:	9		
Cash and cash equivalents			1,648
Short-term deposits	11d	1,834	2,789
Accounts receivable:	11a		
Trade		99,992	104,263
Other		5,362	4,754
T o t a l current assets		<u>107,188</u>	<u>113,454</u>
BROADCASTING RIGHTS:	1d		
Cost		250,162	245,932
L e s s - utilized rights		121,828	109,013
		<u>128,334</u>	<u>136,919</u>
FIXED ASSETS:	1e;2		
Cost		2,109,436	1,914,075
L e s s - accumulated depreciation		985,278	601,602
		<u>1,124,158</u>	<u>1,312,473</u>
LICENSE FEES - ADVANCE ON ACCOUNT OF ROYALTIES	3		6,362
		<u>1,359,680</u>	<u>1,569,208</u>

Date of approval of the financial statements: February 18, 2004.

Ilan Biran
Chairman of the
Board of Directors

Ofer Bloch
Chief Executive Officer

Katriel Moriah
VP Finance

	Note	December 31	
		2003	2002
		In thousands	
Liabilities, net of capital deficiency			
CURRENT LIABILITIES:			
Bank credit	9;10 1a;11b	1,304,660	1,104,371
Accounts payable and accruals:	11c		
Trade		470,075	528,108
Other		87,668	77,379
T o t a l current liabilities		<u>1,862,403</u>	<u>1,709,858</u>
LONG-TERM LIABILITIES:			
Liability for employee rights upon retirement - net	9 5	4,143	2,786
Customer deposits - net	1h	18,238	41,267
Other liabilities, net of current maturities		9,477	14,067
T o t a l long-term liabilities		<u>31,858</u>	<u>58,120</u>
SHAREHOLDERS' LOANS	4	<u>2,271,283</u>	<u>2,051,957</u>
COMMITMENTS AND CONTINGENT LIABILITIES	6		
T o t a l liabilities		<u>4,165,544</u>	<u>3,819,935</u>
CAPITAL DEFICIENCY	7	<u>(2,805,864)</u>	<u>(2,250,727)</u>
		<u>1,359,680</u>	<u>1,569,208</u>

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

DBS SATELLITE SERVICES (1998) LTD.
STATEMENTS OF OPERATIONS
IN ADJUSTED NIS

	<u>Note</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
		<u>I n t h o u s a n d s</u>		
REVENUES		842,374	659,902	319,436
COST OF REVENUES	11e	<u>1,012,159</u>	<u>1,069,204</u>	<u>752,704</u>
GROSS LOSS		169,785	409,302	433,268
SELLING AND MARKETING EXPENSES	11f	109,859	117,108	199,413
GENERAL AND ADMINISTRATIVE EXPENSES	11g	<u>84,691</u>	<u>114,825</u>	<u>145,472</u>
LOSS FROM ORDINARY OPERATIONS		364,335	641,235	778,153
FINANCIAL EXPENSES - net	11h	179,608	47,178	99,150
OTHER EXPENSES	11i	<u>11,201</u>	<u>20,715</u>	
LOSS FOR THE YEAR		<u>555,144</u>	<u>709,128</u>	<u>877,303</u>

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

DBS SATELLITE SERVICES (1998) LTD.
STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY
IN ADJUSTED NIS

	Share capital	Accumulated deficit	Total
	In thousands		
BALANCE AT JANUARY 1, 2001	11	(664,316)	(664,305)
CHANGES DURING 2001 -			
loss		(877,303)	(877,303)
BALANCE AT DECEMBER 31, 2001	11	(1,541,619)	(1,541,608)
CHANGES DURING 2002:			
Issue of share capital	9		9
Loss		(709,128)	(709,128)
BALANCE AT DECEMBER 31, 2002	20	(2,250,747)	(2,250,727)
CHANGES DURING 2003:			
Issue of share capital	7		7
Loss		(555,144)	(555,144)
BALANCE AT DECEMBER 31, 2003	27	(2,805,891)	(2,805,864)

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

DBS SATELLITE SERVICES (1998) LTD.

STATEMENTS OF CASH FLOWS

IN ADJUSTED NIS

	<u>2003</u>	<u>2002</u>	<u>2001</u>
	<u>I n t h o u s a n d s</u>		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss for the year	(555,144)	(709,128)	(877,303)
Adjustments required to reflect the cash flows from operating activities (a)	<u>552,127</u>	<u>640,242</u>	<u>279,012</u>
Net cash used in operating activities	<u>(3,017)</u>	<u>(68,886)</u>	<u>(598,291)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Short time deposit - net	955	(2,789)	
Payments on account of purchase of fixed assets, see (b) below	(299,894)	(472,784)	(533,434)
Payments on account of purchase of broadcasting rights, see (b) below	(118,551)	(48,845)	(97,567)
Proceeds on sale of fixed assets	<u>14,130</u>	<u>10,646</u>	
Net cash used in investing activities	<u>(403,360)</u>	<u>(513,772)</u>	<u>(631,001)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of share capital	7	9	
Receipt of loans from shareholders	204,433	402,018	828,673
Credit from banks - net	<u>200,289</u>	<u>182,257</u>	<u>400,193</u>
Net cash provided by financing activities	<u>404,729</u>	<u>584,284</u>	<u>1,228,866</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(1,648)</u>	<u>1,626</u>	<u>(426)</u>
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,648</u>	<u>22</u>	<u>448</u>
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>-</u></u>	<u><u>1,648</u></u>	<u><u>22</u></u>

DBS SATELLITE SERVICES (1998) LTD.

STATEMENTS OF CASH FLOWS

IN ADJUSTED NIS

	<u>2003</u>	<u>2002</u>	<u>2001</u>
	<u>I n t h o u s a n d s</u>		
(a) Adjustments required to reflect the cash flows from operating activities:			
Expenses not involving cash flows:			
Depreciation and amortization	384,873	320,640	209,133
Impairment of installation equipment	4,654	20,651	
License depreciation	6,362	21,234	4,180
Broadcasting rights utilized	132,549	146,571	78,243
Liability for employee rights upon retirement - net	1,357	1,584	1,203
Linkage differences and interest on principal of shareholders' loans	14,893	11,002	1,075
Other	1,424	2,475	
	<u>546,112</u>	<u>524,157</u>	<u>293,834</u>
Changes in operating asset and liability items:			
Decrease (increase) in accounts receivable:			
Trade	(2,925)	(35,161)	(55,327)
Other	(608)	26,416	14,235
Increase (decrease) in accounts payables and accruals:			
Trade, see (b) below	22,288	58,444	13,296
Customer deposits - net	(23,203)	29,310	26,532
Other	10,463	37,076	(13,558)
	<u>6,015</u>	<u>116,085</u>	<u>(14,822)</u>
	<u>552,127</u>	<u>640,242</u>	<u>279,012</u>
(b) Supplementary information on investing activities not involving cash flows:			
1) Increase (decrease) in suppliers' credit for purchase of fixed assets	(90,324)	(91,363)	32,324
Increase in suppliers' credit for purchase of broadcasting rights	5,413	2,396	18,670

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

DBS SATELLITE SERVICES (1998) LTD.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, applied on a consistent basis, are as follows:

a. General:

1) Activities

DBS Satellite Services (1998) Ltd. (hereafter - the Company) was incorporated in Israel on December 2, 1998. In January 1999, the Company received a license from the Ministry of Communications to broadcast, in Israel, television broadcasts by means of satellite (hereafter - the License). The License is for a period of ten years from the day of its receipt and could be extended for an additional period of six years on certain conditions. In June 2002, the License was extended by five years.

The Company paid an advance on account of license fees (royalties) in the amount of approximately adjusted NIS 33 million, and presented a bank guarantee in the same amount in favor of the State of Israel. The Company is subject to the Telecommunications Law, 1982 (hereafter - the Telecommunications Law), the regulations and rules promulgated thereunder and the terms of the License.

In July 2000, the Company completed the development stage and began to provide its customers with multi-channel television broadcasts in accordance with the License granted it under the Telecommunications Law.

2) The Company's financial position

a) Since the commencement of its activities, the Company has incurred significant losses, which are accompanied by negative cash flows from operating activities. The loss for 2003 amounts to approximately adjusted NIS 555 million and the negative cash flow from operating activity aggregated approximately adjusted NIS 3 million. As a result of these losses and the structure of the bank credit, the Company's capital deficiency and working capital deficiency as of December 31, 2003 amounted to approximately adjusted NIS 2,806 million and adjusted NIS 1,755 million, respectively. The working capital deficiency includes approximately adjusted NIS 1,305 million in credit from banks (see also (b) below).

b) On May 23, 2001, the Company signed a financing agreement (hereafter - the financing agreement) with certain banks (hereafter - the Banks). The financing agreement includes, inter alia, undertakings by the Company to meet certain suspending conditions as well as specified cumulative milestones and financial stipulations (hereafter - the terms).

On December 30, 2002, the Company, its shareholders and the Banks signed an agreement regarding the expansion of the credit facility provided by the Banks (hereafter - the interim facility), which is to be carried out in parallel with additional investments by the shareholders, in an amount not less than 150% of the amount infused by the Banks. Receipt of the finance under the interim facility is, inter alia, conditional upon the Company's meeting certain financial and operating conditions, as stipulated in said agreement.

DBS SATELLITE SERVICES (1998) LTD.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):

To date of approval of these financial statements, the shareholders and the Banks have transferred the Company the full amount of their share under the interim facility. Despite this, some of the terms stipulated in the financing agreement and the interim facility was not fulfilled.

At the same time as the aforesaid agreement was being signed, discussions were being held between the parties regarding the expansion of the interim facility within the framework of an amendment to the financing agreement (hereafter - the amendment agreement).

A financial review completed by the Banks in March 2003 determines that the overall amount of finance required for the Company does not exceed the amount of the interim facility, together with the addition thereto provided under the amendment agreement (including the shareholders' proportionate share).

On August 6, 2003, the Banks and the Company signed the amendment agreement. Pursuant to the amendment agreement, the Banks are to provide the Company with further facilities, in addition to those provided under the financing agreement and the interim facility, this being subject to the Company complying with the conditions and achieving the milestones stipulated in the amendment agreement, see also note 10c, which include the shareholders making additional investments amounting to not less than 150% of the amount to be infused by the Banks.

The amendment agreement became effective in December 2003. To the date of the approval of the financial statements, the Company is not in full compliance with said conditions. Pursuant to the amendment agreement, in February 2004 the Company converted short-term credit into long-term loans, see also note 11b(3).

- c) The receipt of additional loans from a principal shareholder was conditional (subject to the shareholder's position as a government company), inter alia, upon the approval of the Ministerial Committee for Privatization (hereafter - the Committee), this by virtue of the terms stipulated in the approval that the Committee has granted to the principal shareholder to invest in the Company. At the time, the Committee has given approval for the shareholder to increase his investment up to the sum arrived at by multiplying the percentage of his holding in the Company's share capital by U.S. \$ 600 million. In the opinion of the Company's management, the total amount of investment approved by the Committee covers the principal shareholder's proportionate share in the interim facility as well as his proportionate share under the amendment agreement.
- d) The Company's activity depends on the receipt of additional loans from shareholders under the amendment agreement, see also (b) above.

The Company's management believes that financing resources required for the coming year will be arranged (including the loans from shareholders under the amendment agreement).

DBS SATELLITE SERVICES (1998) LTD.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):

3) Definition

Interested parties - as defined in the Israeli Securities (Preparation of Annual Financial Statements) Regulations, 1993.

4) Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

b. Adjusted financial statements:

- 1) The financial statements have been prepared on the basis of historical cost adjusted for the changes in the general purchasing power of Israeli currency, in accordance with pronouncements of the Institute of Certified Public Accountants in Israel (hereafter - the Israeli Institute). All figures in the financial statements are presented in adjusted new Israeli shekels (NIS) which have a uniform purchasing power (December 2003 adjusted NIS) - based upon the changes in the consumer price index (hereafter - the CPI); see also note 9b). As to the discontinuance of adjusting financial statements for the effects of inflation, with effect from January 1, 2004, see 1k below.

The adjustment of the financial statements is based on the accounts of the Company, maintained in nominal NIS. Condensed nominal Israeli currency data of the Company, on the basis of which its adjusted financial statements were prepared, are presented in note 14.

The components of the statements of operations were, for the most part, adjusted as follows: the components relating to transactions carried out during the year (revenues, purchases, labor costs, etc.) were adjusted on the basis of the index for the month in which the transaction was carried out, while those relating to non-monetary balance sheet items (mainly depreciation and amortization) were adjusted on the same basis as the related balance sheet item. The financing component represents mainly financial income and expenses in real terms and the erosion of balances of monetary items during the year.

- 2) The adjusted amounts of non-monetary assets do not necessarily represent realization value or current economic value, but only the original historical values, adjusted for the changes in the general purchasing power of Israeli currency. In these financial statements, the term "cost" signifies cost in adjusted Israeli currency.

DBS SATELLITE SERVICES (1998) LTD.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):

c. Cash equivalents

The Company considers all highly liquid investments, which include short-term bank deposits (up to three months from the date of deposit) that are not restricted as to withdrawal or use, to be cash equivalents.

d. Broadcasting rights

The rights are presented at cost.

The cost of acquired rights for the screening of movies and television programs includes commitments to the suppliers of the rights, with the addition of direct costs incurred in adapting such movies and programs for screening in Israel. The broadcasting rights are depreciated in accordance with the purchase agreement, on the basis of actual screenings (the remaining balance to the end of the agreement is fully depreciated at the end of the agreement period) or according to the term of the rights agreement.

Costs relating to programs produced by the Company which, in the opinion of the Company, can be broadcasted numerous times or to be sold, are carried to broadcasting rights and depreciated on the basis of their estimated useful life.

e. Fixed assets:

- 1) Fixed assets are stated at cost.
- 2) The assets, excluding installations in apartments, are depreciated by the straight-line method, based on their estimated useful life. Capitalized installation costs are depreciated based on the term of engagement with customers.

Annual rates of depreciation are as follows:

	<u>%</u>
Broadcasting and receiving equipment	15
Capitalized installation costs, see also 3) below	17;6.7 (until 31.12.02 - 10%)
Digital satellite decoders	25
Office furniture and equipment	7-15
Computers	33

Leasehold improvements are amortized by the straight-line method over the lease period or the estimated life of the improvements, whichever is shorter.

DBS SATELLITE SERVICES (1998) LTD.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):

3) Reassessment

The Company capitalizes costs of installation of broadcasting and receiving equipment to fixed assets. The costs of installation in apartments are amortized based on the average term of engagement with customers. The costs of installation on buildings are amortized based on the estimated useful life of the installed equipment.

In the first quarter of 2003, the Company completed a reassessment of the average term of engagement with subscribers. Based on this reassessment, market conditions and accumulated experience, commencing 2003, costs relating to installation in apartments are amortized at the rate of 17%.

In addition, in the first quarter of 2003 the Company has completed an engineering review of the estimated useful life of costs relating to installation on buildings. Based on this review, commencing 2003, costs of installation as above are amortized at the rate of 6.7%.

The abovementioned changes have increased the annual depreciation expense for 2003 by approximately adjusted NIS 35 million.

f. Impairment of assets

In February 2003, Accounting Standard No. 15 of the Israeli Accounting Standards Board (hereafter - IASB) - "Impairment of Assets", became effective. This standard requires a periodic review, at each balance sheet date, to evaluate the need for a provision for the impairment of the Company's non-monetary assets - mainly fixed assets and identifiable intangibles.

Starting the interim financial statements for the three months period ended March 31, 2003, the Company assesses - at each balance sheet date - whether any events have occurred or changes in circumstances have taken place, which might indicate that there has been an impairment of one or more of the above assets. When such indicators of impairment are present, the Company should evaluate whether the carrying value of the asset in the Company's accounts can be recovered from the cash flows anticipated from that asset, and, if necessary, to record an impairment provision up to the amount needed to adjust the carrying amount to the recoverable amount.

g. License fees - advance on account of royalties

The license fees, which reflect royalty amounts in advance as stipulated in the terms of the License (see note 1a(1)), are depreciated from the beginning of the commercial utilization of the License, in accordance with the Company's royalty commitments, see note 3.

DBS SATELLITE SERVICES (1998) LTD.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):

h. Revenue recognition:

- 1) Revenues from supply of content services are recognized as services are performed.
- 2) The Company leases digital satellite decoders to its customers, on an operational lease basis. Revenues from the lease fees are recognized ratably over the lease period.
- 3) The Company receives deposits from its subscribers for the digital satellite decoders that are at their premises, in an amount that does not exceed the cost of the decoders. Customers are entitled to receive, upon termination of engagement with the Company, the relative sum remained from their deposit.
Revenues from the depreciation of the deposits are carried to income over 5 or 10 years, based on the terms of the contract with the subscriber.

i. Concentration of credit risks - allowance for doubtful accounts

The Company's revenues are received from a large number of customers. Consequently, the balance of the Company's trade receivables does not represent a significant concentration of credit risk as of December 31, 2003.

The allowance is determined at progressively increasing percentages of the debt according to the amount of time the debt has been outstanding.

j. Derivatives

Gains or losses on derivatives are recognized as current financial income/expenses, see also 9(c)). The net premium paid for currency options, are presented among financial expenses.

k. Recently issued pronouncements

In October 2001, the IASB issued Israel Accounting Standard No. 12 - "Discontinuance of Adjusting Financial Statements for Inflation", which provided for the discontinuance of adjusting financial statements for the effects of inflation, as of January 1, 2003. In December 2002, Accounting Standard No. 17 was issued that postponed the date from which Accounting Standard No. 12 is to be applied until January 1, 2004. The inflation-adjusted amounts as of December 31, 2003 will be the base for the nominal-historical financial reporting in the following periods.

The implementation of Standard No. 12 will mainly affect the financing expenses item.

DBS SATELLITE SERVICES (1998) LTD.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 2 - FIXED ASSETS:

a. Composition of assets and accumulated depreciation, grouped by major classifications and changes therein in 2003 are as follows:

	C o s t				Accumulated depreciation				Depreciated balance	
	Balance	Additions	Retirements	Balance	Balance	Additions	Retirements	Balance	December 31	
	at	during	during the	at end of	at	during	during the	at end of	2003	2002
	beginning	the year	year	year	beginning	the year	year	year	Adjusted NIS in thousands	
of year				of year						
	A d j u s t e d			N I S	i n t h o u s a n d s					
Broadcasting and receiving equipment	150,458	16,150	2,088	164,520	57,246	24,793	876	81,163	83,357	93,212
Capitalized installation costs see c. below	868,825	79,899	223	948,501	161,704	126,371	40	288,035	660,466	707,121
Digital satellite decoders	734,921	98,332	4,137	829,116	286,201	208,240	1,211	493,230	335,886	448,720
Office furniture and equipment (including computers)	131,509	11,784	5,148	138,145	83,678	26,587	2,266	107,999	30,146	47,831
Leasehold improvements	28,362	792		29,154	12,773	2,078		14,851	14,303	15,589
	<u>1,914,075</u>	<u>206,957</u>	<u>11,596</u>	<u>2,109,436</u>	<u>601,602</u>	<u>388,069</u>	<u>4,393</u>	<u>985,278</u>	<u>1,124,158</u>	<u>1,312,473</u>

b. As to liens on the assets - see note 10.

c. As to a reassessment, see note 1e.

DBS SATELLITE SERVICES (1998) LTD.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 - LICENSE FEES - ADVANCE ON ACCOUNT OF ROYALTIES

In accordance with the terms of the License, the Company has undertaken to pay royalties to the Government of Israel, which are calculated on the basis of revenues from the supply of broadcasting services, as defined in the License. The rate of the royalties was set at 1.5% of the Company's revenues for the first five years, commencing January 1, 2000, or until the accumulation of 250,000 subscribers, whichever is the earlier. As of December 31, 2001, the Company has accumulated more than 250,000 subscribers.

Thereafter, royalties are computed at the following rates:

<u>Year</u>	<u>Percentage of the Company's revenues</u>
2002 - 2003	4%
2004 and thereafter	3.5%

As of December 31, 2003 the Company has fully utilized the advance on account of royalties.

NOTE 4 - SHAREHOLDERS' LOANS:

- a. At the general meeting of the shareholders of the Company on December 24, 2000, it was decided that the various loans which had been extended by the shareholders to the Company would be linked to the CPI and bear interest at the annual rate of 7%, from the date of their grant to the date of their repayment, or the repayment of any part thereof, as the case may be, or other interest and linkage differences if so decided by a meeting of the shareholders of the Company. These terms will also apply to loans extended to the Company by the shareholders in the future, as long as no decision to the contrary is made by the shareholders' meeting. In addition, it was resolved that the abovementioned decision would take effect on January 24, 2001, unless by that date objections are submitted by a particular shareholder. In the event of such objections by the particular shareholder, the decision would take effect on the date the particular shareholder ceases to be a member of the enterprise.

To date of approval of these financial statements, the shareholder has submitted his objections as aforesaid, and the decision, therefore, had not taken effect. Accordingly, no interest has been charged on the shareholders' loans extended before July 10, 2002 (see below). The loans, as included in the financial statements, are linked to the increase in the known CPI.

- b. In accordance with an agreement, dated December 30, 2002, between the shareholders and the Company, the loans that the shareholders extended to the Company since July 10, 2002 (hereafter - the new shareholders' loans) will have preference over loans extended by the shareholders prior to said date (hereafter - the previous shareholders' loans). The agreement stipulates that the new shareholders' loans are to be fully repaid by the Company prior to any distribution of dividend by the Company and/or the repayment of the previous shareholders' loans, this subject to the Company's cash flows and commitments under the agreements with the Banks. The new shareholders' loans are linked to the known CPI and bear interest at the annual rate of 5.5%.

Under an amendment to said agreement, the new shareholders' loans extended as part of the amendment agreement (see note 1a) would be linked to the known CPI with the addition of interest at the annual rate of 11%.

Repayment dates for the loans described in a. and b. above have not yet been fixed.

DBS SATELLITE SERVICES (1998) LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 4 - SHAREHOLDERS' LOANS (continued):

- c. The shareholders' loans are composed as follows:

	Interest Rates	December 31	
		2003	2002
		Adjusted NIS in thousands	
Previous shareholders' loans		1,909,208	1,910,755
New shareholders' loans:			
	5	*221,628	*141,202
	11	*140,447	
		<u>2,271,283</u>	<u>2,051,957</u>
* Including accumulated interest of approximately		<u>18,577</u>	<u>1,806</u>

NOTE 5 - EMPLOYEE RIGHTS UPON RETIREMENT - NET:

- a. Labor laws and agreements require the Company to pay severance pay to employees dismissed or retiring from its employ in certain circumstances. The Company's severance pay liability to its employees (which is based on the number of years worked and the latest monthly salary) is covered mainly by purchase of insurance policies. The amounts funded as above are not reflected in the balance sheets since they are not under the control and management of the Company.
- b. The amount of liability for severance pay presented in the balance sheets reflects that part of the liability not covered as above, in accordance with labor agreements in force.

NOTE 6 - COMMITMENTS AND CONTINGENT LIABILITIES:**a. Commitments:**

- 1) As of December 31, 2003, the Company has entered into agreements for the purchase of broadcasting rights in the aggregate amount of approximately NIS 149 million (December 31, 2002 - approximately adjusted NIS 212 million).
- 2) The Company has entered into two main operating lease agreements for buildings it uses. The first agreement expires in 2006 and the second agreement expires in 2009 with an option to renew for an additional 10 years. The lease fees are linked to the U.S. dollar (hereafter - the dollar). The Company has also entered into several additional operating lease agreements for various periods. The projected annual lease fees for the next five years, at rates in effect on December 31, 2003, are approximately adjusted NIS 9 million.

DBS SATELLITE SERVICES (1998) LTD.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 - COMMITMENTS AND CONTINGENT LIABILITIES (continued):

- 3) The Company has entered into an agreement for the lease of space segments on the Amos 1 satellite. The agreement is for a period of 8.5 years commencing April 14, 2000, with options to renew for additional six month periods at a time.

In addition, on May 16, 2001, the Company has entered into an agreement for the lease of space segments on the Amos 2 satellite. The agreement expires after 10 years from the launch of the satellite or at the end of the useful life of the satellite, whichever is earlier. The satellite was launched on December 28, 2003.

The projected annual lease fees for the next 5 years under said agreements are as follows:

	<u>Adjusted NIS in thousands</u>
2004	93,273
2005	108,271
2006	118,671
2007	122,174
2008 and thereafter	126,378

- 4) The Company has entered into several operating lease agreements in respect of vehicles that it uses for a period of 5 years. The projected annual lease payments, at rates in effect on December 31, 2003, are approximately adjusted NIS 17 million.
- 5) As to the Company's undertaking to pay royalties to the Government of Israel, see note 3.

b. Contingent liabilities:

- 1) Guarantees

To secure its liabilities, the Company has provided documentary credit and guarantees in the amount of approximately NIS 63 million, (which include a guarantee in favor of the State of Israel, see note 1a1)).

- 2) Claims:

- a) The Company has a dispute with ICP Israel Cable Programming Co. Ltd (hereafter - ICP) regarding a debt. The dispute was referred to arbitration.

In December 2002, ICP has submitted the arbitrator a claim for NIS 11,065,000, with the addition of linkage differences and interest until payment date.

In the opinion of the Company's legal counsel, the outcome of the claim cannot be estimated at this stage. Therefore, no provision was included in respect of this claim, except the amount included in ICP's supplier account due to this claim.

DBS SATELLITE SERVICES (1998) LTD.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 - COMMITMENTS AND CONTINGENT LIABILITIES (continued):

- b) On March 25, 2003, an application was filed with the District court for the approval of a claim as a class action, requiring the Company to pay for the electricity usage of the devices installed by the Company and/or on its behalf on various premises, and to reimburse the claimants all the monies paid by them in respect of the electricity usage of the Company's devices and to compensate and/or indemnify the claimants in respect of such amounts..

according to claimants computations, the estimated amount of damages the reimbursement of which is demanded is NIS 25 million.

In the opinion of the Company's legal counsel, it is difficult at this stage to estimate the chances of the claim being approved as a class action, and - if it is so approved - what the chances are of its success. Therefore, no provision was included in respect of this claim.

- c) On December 3, 2003, an application for the approval of a class action against the Company, the Cable and Satellite Broadcast Council and the Ministry of Communications was filed in connection with the broadcasts of Sports Channel 5+. The applicants allege that the broadcasts of Channel 5+ contravene the terms stipulated in the Council's approval for its broadcasts, by draining Channel 5 of content in contravention of the aforementioned approval.

The applicants accuse the Company of alleged deceit, breach of contractual obligations of trust and good faith, fundamental breach of the contract between the Company and its customers, and unjust enrichment. In respect of the above, the applicants estimate that the action amounts to NIS 126 million as of the date of submitting the claim, with a further NIS 10.5 million being added for every month between the date of submitting the claim until judgment.

In the opinion of the company's legal counsel, at this stage it is difficult to estimate the chances of the claim being approved as a class action, and - if it is so approved - what the chances are of its success. Therefore, no provision was made in respect of this application.

DBS SATELLITE SERVICES (1998) LTD.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 - COMMITMENTS AND CONTINGENT LIABILITIES (continued):

- d) On January 30, 2003, a letter was received from the Ministry of Communications, claiming that the arrangement under which the Company receives deposits from its subscribers in an amount less than the cost of acquisition of the decoder lent, from which it deducts up to 10% of the value of the decoder every year (hereafter - the arrangement) is unlawful and in contradiction of the terms of the License and the subscriber agreements. In addition, the Company is required to cease the abovementioned arrangement and reimburse monies to all its subscribers from the deposits of which it had deducted amounts in accordance with the arrangement.

On June 16, 2003, the Bezeq Regulations (Franchises), 1987 were amended in a way that made it possible for the Company to deduct up to 10% of the cost of acquisition of equipment.

In the opinion of the Company's legal counsel, it is difficult to estimate at this stage what measures, if any, the Ministry of Communications will take to enforce its demands, as above, with respect to monies previously collected. Therefore, no provision was included in respect of this claim.

- e) On November 20, 2003, JCS Sport Ltd. (hereafter - JCS) filed a claim against the Company with respect to exclusivity issues. In addition, JCS claims for a declaratory relief obligating the Company to make the payments for Channel 5+ on the basis of the current month plus 40 days, and demands that the Company repay a debt of approximately NIS 5 million resulting from the difference between the Company's position as to credit terms, and that of JCS.

In the opinion of the Company's legal counsel, the chances of the claim cannot be estimated at this stage. Therefore, no provision was included in respect of this claim.

- f) In the ordinary course of business, several claims have been filed against the Company by employees and suppliers, for the aggregate amount of approximately NIS 2.5 million. In the opinion of the Company's management, which is based on the opinion of its legal counsel, the provisions that have been included in the accounts in connection with said claims are sufficient.

DBS SATELLITE SERVICES (1998) LTD.
 NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 7 - SHARE CAPITAL:

- a. The share capital is composed of ordinary shares of NIS 1 par value, as follows:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
	<u>Number of shares</u>	
Authorized	<u>36,000</u>	<u>36,000</u>
Issued and paid	<u>27,148</u>	<u>19,888</u>

b. Stock options to employees:

- 1) The employment agreements with certain employees entitle them to participate in an employee stock option plan, should the Company choose to adopt one, under which options would be granted for the purchase of Company shares. The exact number of options to be granted to each employee under such plan will be determined at the sole discretion of the Company's management.
- 2) In accordance with the Company's employment agreements with some of its senior employees, each of these employees is to be granted options for the purchase of Company shares, by way of allotment of ordinary shares of NIS 1 par value, at par, so that after the options are exercised, the number of shares held by each of said employees would range between 0.2% and 0.5% of the Company's issued share capital as on the date of the signing of each agreement.
 As to options granted to the CEO of the Company, see also note 13a(3).

Each employee would be entitled to exercise the options in purchase of the number of shares stipulated in the agreement with such employee. To date of approval of these financial statements, the Company has not adopted an employee stock option plan.

NOTE 8 - TAXES ON INCOME:

- a. **Measurement of results for tax purposes under the Income Tax (Inflationary Adjustments) Law, 1985 (hereafter - the inflationary adjustments law)**

Under the inflationary adjustments law, results for tax purposes are measured in real terms, having regard to the changes in the CPI. The Company is taxed under this law.

DBS SATELLITE SERVICES (1998) LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 8 - TAXES ON INCOME (continued):

b. Losses for tax purposes carried forward to future years

Carryforward losses as of December 31, 2003, amount to adjusted NIS 2,600 million. Under the inflationary adjustments law, carryforward losses are linked to the CPI and can be utilized indefinitely.

Due to the uncertainty of their utilization in the foreseeable future, the Company has not created deferred taxes in its accounts in respect of these losses.

c. Tax assessments

The Company has not been assessed for tax purposes since incorporation.

NOTE 9 - LINKAGE TERMS OF MONETARY BALANCES:

a. As follows:

	December 31, 2003		
	In dollars or linked thereto	CPI linked	Unlinked
	Adjusted NIS in thousands		
Assets - current:			
Cash and cash equivalents			1,834
Short-term deposits			99,992
Accounts receivable:			271
Trade			99,992
Other			271
			102,097
Liabilities:			
Current liabilities:			
Accounts payable and accruals:			
Trade	253,157	14,056	202,862
Other		15,458	68,347
Bank credit			1,304,660
Long-term liabilities:			
Customer deposits - net		18,238	
Another liabilities, including current maturities	2,089		7,388
Shareholders' loans		2,271,283	
	255,246	2,319,035	1,583,257

DBS SATELLITE SERVICES (1998) LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 9 - LINKAGE TERMS OF MONETARY BALANCES (continued):

b. Data regarding the exchange rate and the CPI:

	Exchange rate of one U.S. dollar	CPI*
At end of year:		
2003	NIS 4.379	178.6 points
2002	NIS 4.737	182.0 points
2001	NIS 4.416	170.9 points
2000	NIS 4.041	168.5 points
Increase (decrease) during the year:		
2003	(7.6%)	(1.9%)
2002	7.3%	6.5%
2001	9.3%	1.4%

* Based on the index for the month ending on each balance sheet date, on the basis of 1993 average = 100.

c. Derivative financial instruments

The Company has only limited involvement with derivative financial instruments (hereafter - derivatives). Such derivatives are utilized by the Company only for hedging purposes. The Company enters into foreign currency derivatives, mainly currency options, in order to protect itself against the changes in the fair value of existing assets and liabilities.

At December 31, 2003, the Company had outstanding hedging derivatives, as follows:

- 1) The Company purchased call options with a value of U.S. \$ 5,000,000, at the rate of 4.612.
- 2) The Company sold put options with a value of U.S. \$ 5,000,000, at the rate of 4.45.

NOTE 10 - LIABILITIES SECURED BY LIENS AND RESTRICTIONS IMPOSED IN CONNECTION WITH LIABILITIES:

a. Following is the balance of secured liabilities and guarantees of the Company:

	December 31	
	2003	2002
	Adjusted NIS in thousands	
Liabilities – short term bank credit	1,304,660	1,104,371
Guarantees	62,819	65,507

- b.** To secure the abovementioned liabilities and guarantees, the Company registered a lien on all its assets, including share capital and goodwill.

DBS SATELLITE SERVICES (1998) LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 10 - LIABILITIES SECURED BY LIENS AND RESTRICTIONS IMPOSED IN CONNECTION WITH LIABILITIES (continued):

- c. The terms of the bank loans received by the Company, the outstanding balance of which at December 31, 2003 is adjusted NIS 1,305 million, contain restrictions as to the pledge or sale of certain assets and to obtaining credit from other banks (without previous consent of the banks which have granted these loans), restrictions as to the distribution of a dividend and restrictions on transactions with interested parties. The terms of the loans impose certain additional restrictions, including the requirement to comply with the following covenants:
- 1) Minimum total income.
 - 2) Minimum operating surplus (as defined in the financing agreement).
 - 3) Minimum operating cash flow surplus.
 - 4) Maximum attrition rate.
 - 5) Maximum financing requirements.
 - 6) Fixed range of suppliers' credit.

The measurements for compliance with the covenants are subject to change, and are determined each quarter. In the event of non-compliance with such covenants, the Banks would be entitled to demand the early repayment of the loans extended to the Company. As of December 31, 2003, the Company is not in full compliance with said terms.

DBS SATELLITE SERVICES (1998) LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 11 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION:

Balance sheets:

a. Accounts receivable:

- 1) Trade

This item net of an allowance for doubtful accounts of adjusted NIS 11,602,000 (December 31, 2002 - approximately adjusted NIS 10,718,000).

- 2) Other:

	December 31	
	2003	2002
	Adjusted NIS in thousands	
Institutions	134	126
Prepaid expenses	5,091	4,501
Other	137	127
	5,362	4,754

b. Short term bank credit:

- 1) Classified by currency, linkage basis and interest rates, the credit is as follows:

	D e c e m b e r 3 1		
	2003	2003	2002
	Weighted interest rates	Amount	
	%	Adjusted NIS in thousands	
CPI linked	5		103,051
Unlinked	10.1	1,304,660	1,001,320
		1,304,660	1,104,371

- 2) As to securities and restrictions imposed in connection with credit - see note 10.
- 3) In February 2004, following the signing of the amendment agreement (see note 1a(2)(b)), The Company converted short-term credit from banks into long-term loans. The long-term loans, partly CPI linked and partly unlinked, bear interest at the rate of 7.5%-6% and will be repaid in accordance with the repayment schedule that would be determined on December, 2005, for a period of 8 years.

DBS SATELLITE SERVICES (1998) LTD.
 NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 11 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued):

c. Accounts payable and accruals:

	December 31	
	2003	2002
	Adjusted NIS in thousands	
1) Trade:		
Open accounts*	194,938	399,977
Checks and notes payable	275,137	128,131
	470,075	528,108
* Including content suppliers	134,532	47,861
2) Other:		
Employees and employee institutions	17,398	14,525
Provision for vacation and recreation pay	12,900	11,994
Customer deposits	15,458	15,632
Institutions	37,975	23,205
Income received in advance	3,863	11,097
Sundries	74	926
	87,668	77,379

d. Short term deposits

Short term deposits are deposited in Israeli bank and bear interest at the rate of Prime -2%. The deposits are restricted until the insurance of the satellites is cleared with the Banks.

DBS SATELLITE SERVICES (1998) LTD.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 11 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued):**Statements of operations:**

	<u>2003</u>	<u>2002</u>	<u>2001</u>
	<u>Adjusted NIS in thousands</u>		
e. Cost of revenues:			
Salaries and employee related expenses	91,241	105,439	80,596
Content costs	232,659	261,019	232,511
Amortization of broadcasting rights			
Utilized	132,549	146,571	78,243
Consumption of space segments	75,914	104,843	69,888
Depreciation and amortization	365,150	294,936	186,630
Royalties	19,116	21,234	4,180
Other	95,530	135,162	100,656
	<u>1,012,159</u>	<u>1,069,204</u>	<u>752,704</u>
f. Selling and marketing expenses:			
Salaries and employee related expenses	37,531	50,632	84,046
Advertising	55,696	44,576	67,768
Marketing consultation	2,290	5,283	8,134
Vehicle maintenance	8,990	9,650	18,101
Other	5,352	6,967	21,364
	<u>109,859</u>	<u>117,108</u>	<u>199,413</u>
g. General and Administrative expenses:			
Salaries and employee related expenses	37,303	40,690	60,079
Consultation and professional fees	3,412	7,872	14,040
Rent and maintenance	10,448	14,508	14,629
Depreciation	19,288	26,524	21,623
Allowance for doubtful accounts	1,903	5,560	5,358
Other	12,337	19,671	29,743
	<u>84,691</u>	<u>114,825</u>	<u>145,472</u>
h. Financial expenses - net:			
In respect of bank credit	143,126	42,165	96,313
Interest to interested parties	22,523	11,213	
Other - net (mainly linkage and exchange differences)	13,959	(6,200)	2,837
	<u>179,608</u>	<u>47,178</u>	<u>99,150</u>
i. Other expenses:			
Impairment of installation equipment	4,654	20,651	
Expenses in respect of taxes paid in respect of previous years	5,123		
Capital losses	1,424	64	
	<u>11,201</u>	<u>20,715</u>	

DBS SATELLITE SERVICES (1998) LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 12 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

a. Concentration of credit risks

The deposits, cash and cash equivalents as of December 31, 2003 and 2002 are deposited with Israeli banks. The Company is of the opinion that the credit risk in respect of these balances is remote.

The Company's revenues are received in Israel from a large number of customers. Consequently, the balance of the Company's trade receivables does not represent a significant concentration of credit risk as of December 31, 2003.

b. Fair value of financial instruments

The Company's financial instruments as of December 31, 2003 and 2002 are composed mainly of non-derivative assets and liabilities (which include working capital and long-term liabilities, including loans from shareholders). In view of their nature, the fair value of the financial instruments included in working capital is usually close or identical to their carrying value. As to shareholders' loans, see note 4.

NOTE 13 - TRANSACTIONS AND BALANCES WITH INTERESTED PARTIES:

a. Transactions with interested parties:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
	<u>Adjusted NIS in thousands</u>		
1) Cost of revenues, see e. below	<u>122,279</u>	<u>153,964</u>	<u>98,749</u>
Selling and marketing, administrative and general expenses	<u>5,995</u>	<u>6,676</u>	<u>21,094</u>
Financial expenses	<u>22,523</u>	<u>11,213</u>	
2) Benefits to interested parties - salary to interested parties employed by the Company and a director's fees	<u>*5,653</u>	<u>2,594</u>	<u>3,279</u>

* Including payments in respect of employee rights upon retirement.

- 3) Under the employment agreement with the CEO of the Company, the Company is to grant him options which would be exercisable into ordinary shares of the Company of NIS 1 par value. The options are to be granted at no consideration and would be exercisable into shares constituting, as of the date of the agreement, 0.5% of the issued share capital of the Company

The CEO's entitlement to the shares would accumulate gradually over his employment period.

DBS SATELLITE SERVICES (1998) LTD.
 NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 13 - TRANSACTIONS AND BALANCES WITH INTERESTED PARTIES (continued):

b. Balances with interested parties:

	December 31	
	2003	2002
	Adjusted NIS in thousands	
1) Shareholders' loans (see note 4)	2,271,283	2,051,957
2) Current liabilities - presented in the balance sheets under trade accounts payable	201,858	172,523
3) Accounts receivable – presented in the balance sheets under trade accounts receivable	8,659	

3) **Accounts receivable** – presented in the balance sheets under trade accounts re

- c.** The Company has entered into an agreement with an interested party for the import of digital satellite decoders. In the year ended December 31, 2003, the Company purchased decoders for the total amount of approximately adjusted NIS 82 million (2002 - approximately adjusted NIS 206 million, 2001 – approximately adjusted NIS 247 million).
- d.** The Company has entered into an agreement with an interested party for the installation of broadcasting and receiving equipment. The cost of capitalized installation costs in the year 2003 amounts to approximately adjusted NIS 15.5 million (2002 – approximately adjusted NIS 18.6 million).
- e.** The cost of revenues consists mainly of the cost of lease of space segments from an interested party, see note 6a(4) and the cost of operation of a customer services center.

DBS SATELLITE SERVICES (1998) LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 14 - NOMINAL DATA OF THE COMPANY:**a. Balance sheet data**

	Nominal NIS in thousands	
	December 31	
	2003	2002
A s s e t s		
Current assets:		
Cash and cash equivalents		1,680
Short term deposit	1,834	2,842
Accounts receivable:		
Trade	99,992	106,266
Other	5,362	4,845
	107,188	115,633
Broadcasting rights:		
Cost	247,884	240,043
L e s s - utilized rights	119,094	105,476
	128,790	134,567
Fixed assets:		
Cost	2,041,125	1,842,404
L e s s - accumulated depreciation	947,024	574,567
	1,094,101	1,267,837
License fees - advance on account of royalties		4,583
	1,330,079	1,522,620
Liabilities, net of capital deficiency		
Current liabilities:		
Bank credit	1,304,660	1,125,584
Accounts payable and accruals:		
Trade	470,075	538,252
Other	87,668	78,865
	1,862,403	1,742,701
Long-term liabilities:		
Liability for employee rights upon retirement, net	4,143	2,840
Customer deposits	18,238	42,060
Other liabilities	9,477	14,336
	31,858	59,236
Shareholders' loans	2,271,283	2,091,371
	4,165,544	3,893,308
Capital deficiency, see c. below	(2,835,465)	(2,370,688)
	1,330,079	1,522,620

DBS SATELLITE SERVICES (1998) LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 14 - NOMINAL DATA OF THE COMPANY (CONTINUED):**b. Operating results data**

	Nominal NIS in thousands		
	2003	2002	2001
Revenues	853,059	665,865	305,011
Cost of revenues	1,007,270	1,056,700	*716,126
Gross loss	154,211	390,835	411,115
Selling and marketing expenses	111,286	117,755	*189,906
General and Administrative expenses	84,868	113,966	*138,352
Loss from ordinary operations	350,365	622,556	739,373
Financial expenses - net	103,070	245,845	115,348
Other expenses	11,349	20,042	
Loss for the year - nominal	464,784	888,443	854,721

c. Changes in capital deficiency:

	Nominal NIS in thousands		
	Share capital	Accumulated deficit	Total
Balance at January 1, 2001	10	(627,543)	(627,533)
Changes during 2001 - loss		(854,721)	(854,721)
Balance at December 31, 2001	10	(1,482,264)	(1,482,254)
Changes during 2002:			
Issuance of share capital	9		9
Loss		(888,443)	(888,443)
Balance at December 31, 2002	19	(2,370,707)	(2,370,688)
Changes during 2003:			
Issuance of share capital	7		7
Loss		(464,784)	(464,784)
Balance at December 31, 2003	26	(2,835,491)	(2,835,465)
