

**CLAL INDUSTRIES AND INVESTMENTS LTD.**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE PERIOD JANUARY - SEPTEMBER 2002**

## 1. *Description of Company*

Clal Industries and Investments Ltd. (“the Company” or “CII”) is an investment company, whose principal holdings are in the manufacturing and high-technology industries. CII is controlled by IDB Development Corporation Ltd.

CII is principally engaged in the acquisition, establishment and development of companies in various industries and takes an active role in the strategic management of its investee companies, particularly so when it holds a material investment therein. The Company has access to a range of commercial opportunities, remaining constantly alert for investments with appropriate potential returns. Simultaneously, the Company aspires to enhance the value of its existing investments, with a view to realizing those investments at the appropriate time.

The CII group of companies is engaged in a variety of segments, which primarily include: cement, textile, high-technology and electronics, paper and cartons, biotechnology, communications, and management of venture capital funds.

In May 2002, the Company’s Board of Directors approved the basic principles of a new long-term business plan which was formulated recently by management of the Company in coordination with a strategic consultant. The basic principles include, inter alia, emphasis on development of management resources, promotion of a limited number of material holdings with existing growth potential which the Company is able to influence and to develop and focus on investments in sectors with rapid growth potential including support and encouragement of long-term strategic processes in the investee companies. The plan will be reviewed and adapted on an ongoing basis and, the Company will adapt its activity through the implementation of management and business strategies.

As a result of adoption of the plan, the Company’s investments were classified into four groups: core holdings, venture capital investments, biotechnology and holdings in real estate.

The Company’s operating results are affected, to a significant extent, by capital gains and losses. Accordingly, the Company’s results may fluctuate between the various reporting periods.

The Company views its contribution and assistance to the community as a vital component of its visionary business plan.

## 2. *Results of operations*

- A. The loss for the third quarter totaled NIS 219 million, as compared to a loss of NIS 156 million in the corresponding period of the previous year.

The loss includes the effects of net negative non-recurring factors totaling NIS 177 million, stemming principally from write-offs in ECI in the amount of NIS 59 million and write-offs of the value of investments in ECI in the amount of NIS 23 million, in Compugen in the amount of NIS 39 million and in financial investments in the amount of NIS 35 million. In the corresponding quarter of the previous year, there were net negative non-recurring factors totaling NIS 99 million.

The decrease in the current loss for the reporting period as compared to the corresponding period of the previous year is derived mainly from decrease in write-off of the value of investments in venture capital funds, from an improvement in the results of ECI and from a decrease in the amortization of the excess of cost over equity. These effects were offset in part as a result of a decrease in the profitability of KBA and of Mashav, and the increase in losses of companies in the biotechnology segment (mainly as a result of investments in research and development in these companies).

The loss in the reporting period totaled NIS 276 million, as compared to a loss of NIS 461 million for the corresponding period of the previous year, and a loss of NIS 715 million for 2001 as a whole.

The loss in the period includes negative net non-recurring effects in the amount of NIS 172 million which include, in addition to the effect in the third quarter, the decrease in the provision in respect of a bank guarantee given to Barak as part of the conditions of the license (NIS 37 million) net of offset of the write-off of the value of investments (NIS 43 million). In the corresponding quarter of the previous year, there were net negative non-recurring factors totaling NIS 336 million.

The decrease in the current loss in the reporting period stems principally from a decrease in financing expenses, a decrease in the write-off of the excess of cost over equity and an improvement in the results of ECI and of Polgat. These effects were offset in part by a decrease in profitability of Mashav, KBA and Kitan, and an increase in losses of companies in the biotechnology segment. The net loss of ECI in the reporting period (according to generally accepted accounting principles in Israel) totaled NIS 756 million. This loss includes write-offs in respect of a decrease in value of intangible assets in the amount of NIS 259 million in the first quarter. These write-offs did not have a material effect on the Company's financial statements taking into account the excess of equity over proceeds in the books of the Company which was attributed to goodwill and intangible assets written-off by ECI.

The loss per NIS 1 par value of share capital in the reporting period amounted to NIS 1.76 as compared to a loss of NIS 3.18 for the corresponding period of the previous year and a loss of NIS 4.84 in 2001 as a whole.

Following is an analysis of the results (in NIS millions):

	<b>For the nine months ended September 30, 2002</b>			<b>For the nine months ended September 30, 2001</b>		
	<b>Current</b>	<b>Non- recurring</b>	<b>Total</b>	<b>Current</b>	<b>Non- recurring</b>	<b>Total</b>
	Core holdings	7	(55)	(48)	2	(196)
Venture capital investments	(50)	(27)	(77)	(58)	(75)	(133)
Biotechnology	(42)	(48)	(90)	(24)	-	(24)
Other real investments	(4)	(42)	(46)	10	(65)	(55)
Administration	(5)	-	(5)	3	-	3
Financing	(10)	-	(10)	(58)	-	(58)
Net loss	<u>(104)</u>	<u>(172)</u>	<u>(276)</u>	<u>(125)</u>	<u>(336)</u>	<u>(461)</u>

	<b>For the three months ended September 30, 2002</b>			<b>For the three months ended September 30, 2001</b>		
	<b>Current</b>	<b>Non- recurring</b>	<b>Total</b>	<b>Current</b>	<b>Non- recurring</b>	<b>Total</b>
	Core holdings	11	(89)	(78)	(18)	12
Venture capital investments	(13)	(6)	(19)	(36)	(39)	(75)
Biotechnology	(18)	(46)	(64)	(8)	-	(8)
Other real investments	(3)	(36)	(39)	18	(72)	(54)
Administration	(1)	-	(1)	1	-	1
Financing	(18)	-	(18)	(14)	-	(14)
Net loss	<u>(42)</u>	<u>(177)</u>	<u>(219)</u>	<u>(57)</u>	<u>(99)</u>	<u>(156)</u>

	For the three months ended September 30, 2002			For the three months ended June 30, 2002		
	Current	Non-		Current	Non-	
		recurring	Total		recurring	Total
Core holdings	11	(89)	(78)	4	(2)	2
Venture capital investments	(13)	(6)	(19)	(32)	(19)	(51)
Biotechnology	(18)	(46)	(64)	(12)	-	(12)
Other real investments	(3)	(36)	(39)	3	(3)	-
Administration	(1)	-	(1)	(1)	-	(1)
Financing	(18)	-	(18)	4	-	4
Net loss	(42)	(177)	(219)	(34)	(24)	(58)

B. We set out below selected data from the financial statements of the principal investee companies<sup>1</sup> (in millions of shekels - rounded):

	Sales				Net Income (Loss)(*)			
	For the nine months ended September 30		For the three months ended September 30		For the nine months ended September 30		For the three months ended September 30	
	2002	2001	2002	2001	2002	2001	2002	2001
Mashav	1,045	1,188	383	390	43	107	20	52
ECI	2,421	3,318	718	1,130	(724)	(1,799)	(434)	(374)
Scitex	863	960	281	324	(20)	(1,054)	(4)	(202)
AIPM	370	391	123	118	31	29	10	6
Kitan	599	631	205	201	10	23	5	1
Polgat	578	520	213	171	21	(12)	5	(3)
Barak	539	517	186	188	41	(62)	8	(28)
Fundtech	137	170	47	51	(61)	(107)	(23)	(70)

(\*) Net income (loss) includes the effects of non-recurring factors.

C. Following is a review of the activity of the principal investee companies in the third quarter<sup>1</sup>:

**Nesher** - The quarter saw a 2% reduction in the sale of cement as compared to the corresponding quarter of the previous year, despite an increase of 8% in the quantity sold. As a result of the erosion in selling prices, net income of the companies in the cement sector totaled NIS 18 million, as compared to NIS 37 million for the corresponding quarter of the previous year and NIS 20 million in the second quarter of 2002. The change in the results for the quarter as compared to the second quarter of 2002 is mainly the result of a material increase in financing expenses, most of which were offset by the improvement in operating results, despite the increase in energy prices.

<sup>1</sup> Relates to financial statements of ECI, Scitex and Fundtech published according to generally accepted accounting principles in the United States.

Nesher was affected in the last year mainly as a result of the crisis in the construction industry, the security situation and the increase in The decrease in sales and in profitability was derived mainly from an increase in import of cement to Israel (at inflated prices). The limitations to which Nesher is subject as a monopoly in the cement sector reduce its flexibility and ability to compete against imports. In 2001 Nesher submitted a complaint to the Supervisor of Trade Levies in the Foreign Trade Authority in connection with the inflated imports and the Supervisor commenced an investigation in this regard. Also, Nesher acted in relation to the Supervisor of Restricted Practices in order to arrange the conditions of market competition in the cement market in light of the implications of inflated imports.

In mid-2002, the Supervisor responsible for the inflated imports in the Ministry of Industry and Trade accepted Nesher's complaints regarding the inflated imports, on the basis of a commitment from part of the cement importers to fix import prices of cement in accordance with accepted prices in the Israeli market.

**ECI** – ECI's income for the third quarter totaled NIS 718 million, as compared to NIS 1,130 million in the corresponding period of the previous year. In the third quarter, ECI recorded a number of non-recurring expenses in the amount of NIS 410 million. The gross profit, before the effect of the non-recurring factors in the third quarter, totaled NIS 292 million (41%), as compared to gross profit of NIS 329 million (39%) in the second quarter of the year and gross profit of NIS 325 million (29%) in the corresponding period of the previous year. The net loss, before non-recurring expenses in the reporting period, totaled NIS 24 million, as compared to NIS 31 million in the second quarter and a loss of NIS 89 million in the corresponding period of the previous year. Subsequent to balance sheet date, ECI announced the signing of an agreement for merger of the NGTS subsidiary with Nexverse Network. ECI will hold 49% of the merged company. Management of ECI believes that this merger will help the company to stabilize its position as a leader in the developing VoIP sector. Also, ECI announced its decision to sell Innowave, whose activity was not included in ECI's core holdings. ECI also announced that it will merge the activity of the Enavis subsidiary with that of Lightscape. Management of ECI believes that upon completion of these transactions, ECI's activity will focus on its core holdings.

During 2001, class actions were filed against ECI, a few of its directors and a former employee. In May 2002, the parties to a claim signed a memorandum of understanding toward settlement of the claim. On November 15, 2002, the court approved the memorandum of understanding reached by the parties (see also Note 4A(1) to the condensed interim financial statements).

**Scitex** – Sales for the quarter amounted to NIS 281 million, as compared to sales of NIS 286 million in the second quarter and a decrease of 13% as compared to sales in the corresponding period of the previous year. Scitex reported a operating income of NIS 6 million, similar to the operating income in the second quarter of 2002, and broke even in the corresponding period of the previous year.

Toward the end of the quarter, Scitex announced finalization of the conditions for the merger of Scitex Vision, a wholly owned subsidiary of Scitex, with Aprion Digital, a company held 42.5% by Scitex and 14% by the Company. Scitex will hold more than 70% of the merged company. The merger is subject to completion of a due diligence review, regulatory approvals and signing of the final agreement. The merger is intended to integrate Scitex Vision's existing marketing network with the unique products developed by Aprion Digital.

**AIPM** – Sales in the third quarter of 2002 amounted to NIS 123 million, as compared to sales of NIS 118 million in the corresponding quarter of the previous year. Net income in the third quarter amounted to NIS 10 million, as compared to NIS 6 million in the corresponding quarter of the previous year and NIS 11 million in the second quarter of 2002. The efficiency measures implemented in all the AIPM Group companies resulted in a decrease in salary costs and other manufacturing costs. The steps implemented, together with erosion of salary costs in dollar terms and a decrease in energy prices as a result of an increase in the quantity of self-produced electricity, resulted in an increase in operating income from NIS 4 million in the previous year to NIS 13 million in the reporting quarter (highest operating income in the last seven quarters). The transition from financing income in the corresponding period of the previous year to financing expenses in the current quarter were responsible for the partial offset of the improvement in operating income.

**Kitan** – Sales increase by 2% in sales, amounting to NIS 205 million in the current quarter, as compared to NIS 201 million in the corresponding period of the previous year. Operating income for the quarter amounted to NIS 5.0 million, as compared to NIS 6.0 million in the corresponding period of the previous year. The level of operating income was maintained as a result of the improvement in industrial activity concurrently with adaptation of the retail activity to the market in which Golf operates. Most of the increase in net income is the result of the transition from financing expenses to financing income.

**Polgat** – Sales for the quarter amounted to NIS 213 million, an increase of 25%, as compared to the corresponding quarter of the previous year. The decrease in labor costs in Bagir as a result of increased manufacture outside of Israel and efficiency measures implemented in respect of operating activity and the increase in sales resulted in an increase in gross profit from NIS 26 million in the previous year (rate of gross profit of 15%) to NIS 45 million in the reporting quarter (rate of gross profit of 21%). The increase in gross profit resulted in an increase in net income for the quarter which amounted to NIS 5 million as compared to a loss of NIS 3 million in the corresponding quarter of the previous year.

As a result of an agreement signed with the employees and the Histadrut, Bagir further reduced the personnel in its Israeli facility by 100 employees during the third quarter (approximately 700 employees during the reporting period).

As a result of manufacturing alternatives at lower production costs, Bagir decided to close the facility in Portugal, to transfer the manufacturing activity and to dismiss approximately 270 employees. Management of Bagir believes that additional costs will not be incurred in excess of those provided.

Turkey – Toward the end of the first quarter, Polgat acquired additional shares of Guney Polgat, so that after the acquisition Polgat holds 51% of Guney Polgat.

**Barak** – Income in the third quarter amounted to NIS 186 million, an increase of 4% in income as compared to the second quarter and a decrease of 2% as compared to the corresponding quarter of the previous year. Barak ended the quarter with a positive EBITDA of NIS 47 million as compared to NIS 35 million in the corresponding quarter of the previous year. Operating income amounted to NIS 35 million as compared to NIS 37 million in the second quarter and NIS 20 million in the corresponding quarter of the previous year. An increase in marketing and selling expenses of 18% as compared to the second quarter as a result of aggressive marketing efforts and rapid Internet exposure resulted in a decrease in operating income. Net income amounted to NIS 8 million in the reporting quarter as compared to NIS 28 million in the corresponding quarter of the previous year.

The improvement in Barak's results enables it to meet its liabilities. During the current quarter, Barak repaid long-term liabilities in the amount of NIS 68 million.

**Fundtech** – Revenues for the third quarter amounted to NIS 47 million, an increase of 4% as compared to the second quarter, and a decrease of 8% as compared to the corresponding quarter of the previous year. The increase in income in the third quarter as compared to the second quarter is mainly the result of an increase in income from sale of licenses which was offset in part by a decrease in income from services. The loss for the quarter amounted to NIS 23 million (including non-recurring expenses amounting to NIS 7 million) as compared to a loss of NIS 70 million (including non-recurring expenses amounting to NIS 48 million) in the corresponding quarter of the previous year. During the quarter, Fundtech commenced the operation of the CLS system and recognized deferred revenues from sale of CLS licenses. Also, in the third quarter, four new customers in the United States were recruited and 24 new transactions were signed.

In general, the quarterly results of Group companies were affected by the economic recession in world and local markets, the effect of the security situation in Israel and in the United States and the crisis in capital markets, especially in the high technology and communication sectors. In local markets, the decrease in demand and increase in competition resulted in erosion of prices and decrease in profitability. The Group companies which sell outside Israel were affected mainly by the decrease in capital expenditure by companies in various sectors. The effect of these factors was reduced in part by reorganization and efficiency measures implemented in most of the Group companies. The increase in financing costs as a result of the increase in interest also affected negatively the companies' results.

Continuation of the recession in world and local markets may also continue to affect the results of the Group companies.

### **3. *Examination of the Value of Investments***

**The Company examines the value of its investments in accordance with generally accepted accounting principles and relevant guidelines published by the Israel Securities Authority regarding cautionary indicators. In accordance with the results of its examinations, the Company recorded write-offs in respect of part of its investments for a decrease in value which is not of a temporary nature.**

**A material difference exists in a number of publicly traded investee companies between the amount of the investment included in the balance sheet and the market value of the investment. The Company examined the value of its investment in these companies and believes that the recoverable value of its investment therein is not less than the value of the investments recorded in the Company's balance sheet.**

Following is information regarding the investments in those companies (in NIS millions):

	<b>Equity in investee companies</b>	<b>Amount of investment in balance sheet</b>	<b>Market value as of September 30, 2002</b>	<b>Difference between amount of investment and market value as of September 30, 2002</b>	<b>Market value as of Nov. 24, 2002</b>	<b>Difference between amount of investment in balance sheet and market value as of Nov. 24, 2002</b>
ECI	463	390	128	262	176	214
Scitex	272	272	69	203	67	205
AIPM	235	228	168	60	192	36
Polgat	165	149	83	66	81	68
Fundtech	128	120	82	38	80	40
	<u>1,263</u>	<u>1,159</u>	<u>530</u>	<u>629</u>	<u>596</u>	<u>563</u>

The Company believes that these companies possess existing growth potential and that the Company is capable of exerting a material influence on them. The Company's share holdings in these companies constitutes a long-term investment and the Company presents its investments therein according to the equity method. The companies themselves examine the need to write-off decreases in the value of their assets and, insofar as necessary, implement write-offs which are reflected in the financial statements of the Company (see also Note 4 to the financial statements).

In November 2002, the Company received a valuation of ECI from an independent outside appraiser which estimated the value of ECI at US\$ 501 million – US\$ 555 million (reflecting a range of the value of the Company's equity in ECI of NIS 352 million – NIS 390 million). In light of the valuation, the Company recorded a writedown of the value of its investment in ECI to NIS 390 million. The balance of the Company's equity in ECI as of September 30, 2002, in the amount of NIS 463 million, is 19% higher than the value of the Company's investment in ECI in the balance sheet.

#### **4. *Financial position and financing sources***

The deficiency in working capital in the consolidated balance sheet amounted to NIS 155 million. Short-term liquid assets in the consolidated balance sheet amounted to NIS 223 million as of balance sheet date and are included in short-term investments and cash and cash equivalents. The quick ratio in the consolidated balance sheet is 0.47 (December 31, 2001 – 0.49). The principal sources of cash are derived from operating activities in the amount of NIS 214 million, receipt of long-term loans in the amount of NIS 203 million, issuance of debentures in the amount of NIS 109 million and realization of investments in the amount of NIS 61 million. The cash sources were utilized mainly for repayment of short-term credit and long-term credit in the amount of NIS 289 million, investment in companies in the amount of NIS 145 million, investment in deposits and long-term and short-term loans in the amount of NIS 118 million and investment in fixed assets in the amount of NIS 62 million.

The Company's shareholders' equity as of September 30, 2002 amounted to NIS 2,751 million, as compared to NIS 3,028 million as of December 31, 2001. Minority interests amounted to NIS 113 million, as compared to NIS 133 million as of December 31, 2001. Concurrently with the sources, the shareholders' equity of the Company decreased by 9% and minority interests decreased by 15%, which constituted together the financing sources of 50% of the Group's assets.

The long-term outside financing sources of the Group amounted to NIS 1,333 million as of the end of the quarter, as compared to NIS 1,097 million as of December 31, 2001, of which 36% are repayable in the coming year.

The balance of the net liability of the Company and its wholly owned corporate subsidiaries as of September 30, 2002 amounted to NIS 789 million, as compared to NIS 910 million as of December 31, 2001.

#### **5. *Principal changes in investments***

- A. In February 2002, the Company acquired addition shares of ECI in consideration for NIS 17 million. After the acquisition and a private issuance of shares by ECI, the Company's rate of holding in ECI reached 14.4%.
- B. During the period under review, the Company acquired additional shares of Fundtech in consideration for NIS 14 million. After the acquisition, the Company's rate of holding in Fundtech reached 33.6%.

- C. In April 2002, an agreement was finalized for sale of the Company's holdings in Lasers to a group headed by the general manager of Lasers. In consideration for sale of its holdings, the Company received US\$ 7 million ("the preliminary consideration") and under certain circumstances the consideration may reach US\$ 9.5 million. The net gain from sale of the Company's holding in lasers, taking into account the preliminary consideration, amounted to NIS 12 million.
- D. During the first half of 2002, the Company invested NIS 23 million in Negevtech in the framework of a round of fundraising in the amount of US\$ 24 million by Negevtech. After the investment, the Company's rate of holding in Negevtech reached 23%.
- E. During the reporting period, the Company acquired marketable debentures of Ormat in consideration for NIS 18 million. The debentures are convertible to shares of Ormat.
- F. During the reporting period, the Company invested an additional NIS 11 million in convertible debentures of Shellcase. After the investment, the Company's rate of holding in Shellcase reached 24%.
- G. In September 2002, the Company sold all its holdings in Mivtach Shamir in consideration for NIS 26 million. As a result of the sale, the Company recorded a loss of NIS 1 million.
- H. Also, during the period under review, the Company invested, directly and indirectly (through wholly owned subsidiaries) as follows (in millions of shekels):

	<b>For the nine months ended September 30, 2002</b>	<b>For the three months ended September 30, 2002</b>
	<u>2002</u>	<u>2002</u>
Core holdings	10	-
Venture capital investments	35	9
Biotechnology	36	19
Other real investments	3	-
	<u>84</u>	<u>28</u>

#### **6. *Event subsequent to September 30, 2002***

During the period from September 30, 2002 until the date of approval of the financial statements, the Company invested the amount of NIS 12 million, directly and indirectly, in various wholly owned subsidiaries.

## 7. *Analysis of exposure to market risks and the management thereof*

Further to the report for the period January – March 2002 in which details were presented regarding the exposure to market risks and the management thereof, following is an update as of September 30, 2002:

### A. Consolidated linkage bases (in millions of shekels adjusted to September 2002)

	<u>Linked to the CPI</u>	<u>Linked to the dollar</u>	<u>Linked to other foreign currency</u>	<u>Not linked</u>	<u>Non- monetary balances</u>	<u>Total</u>
<u>As of</u>						
<u>September 30, 2002</u>						
Current assets	70	111	129	436	723	1,469
Non-current assets	57	149	-	-	4,001	4,207
Current liabilities	(451)	(348)	(170)	(646)	(9)	(1,624)
Non-current liabilities	(753)	(36)	(8)	(51)	(453)	(1,301)
Total net balance sheet balance	<u>(1,077)</u>	<u>(124)</u>	<u>(49)</u>	<u>(261)</u>	<u>4,262</u>	<u>2,751</u>
<u>As of</u>						
<u>December 31, 2001</u>						
Current assets	81	238	88	334	726	1,467
Non-current assets	44	74	-	9	4,406	4,533
Current liabilities	(244)	(198)	(91)	(1,032)	(15)	(1,580)
Non-current liabilities	(774)	(38)	(8)	(65)	(507)	(1,392)
Total net balance sheet balance	<u>(893)</u>	<u>76</u>	<u>(11)</u>	<u>(754)</u>	<u>4,610</u>	<u>3,028</u>

### B. Events after December 31, 2001

The material events in the area of market risks in the period from December 31, 2001 until the date of approval of the financial statements are: an increase in the exchange rate of the dollar of approximately 5.7%, an increase in the consumer price index of approximately 7.7% and an increase in interest which resulted in an increase in the Group's financing costs. Also, additional decreases were evident in stock exchange prices of a number of the Company's marketable investments.

**8. Options granted to senior employees**

In March 2002, the Company's Board of Directors approved the addition of two employees to the option plans from August 2001. The employees were granted 154,287 options which are convertible to a maximum of 154,287 shares.

In April 2002, the Company's Board of Directors approved the amendment of a condition of the Company's options plans from January 2001. According to the amendment, the exercise prices of the options were changed (see also Note 7 to the condensed interim financial statements).

In May 2002, the Company's Board of Directors approved the allocation to a senior employee of 146,735 options which are convertible to a maximum of 146,735 shares.

In August 2002, the Company's Board of Directors approved a plan according to which 205,724 options which are convertible to a maximum of 205,724 shares will be allocated to senior employees. The options have not yet been allocated.

**9. Indemnification**

In April 2002, the General Meeting of the Shareholders of the Company approved the grant of letters of indemnification according to which the Company committed to indemnify its senior employees. The total indemnification payable by the Company will not exceed 25% of its shareholders' equity in the year of the actual payment (see also Note 8 to the condensed interim financial statements).

In November 2002, the Company's Board of Directors approved the grant of letters of indemnification to several additional employees.

We wish to express our gratitude to the managers and employees of the Group for their contribution to the Group's progress and development.

.....  
**LEON RECANATI**  
Chairman of the Board

.....  
**MEIR SHANNIE**  
General Manager

# CLAL INDUSTRIES AND INVESTMENTS LTD.

## SELECTED CONSOLIDATED BALANCE SHEET DATA

In millions of shekels of September 2002

	<u>September 30</u>		<u>December 31</u>
	<u>2002</u>	<u>2001</u>	<u>2001</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
<u>Assets</u>			
Current assets	1,469	1,568	1,467
Long-term deposits, loans and receivables	50	85	47
Investments	2,075	2,422	2,298
Fixed assets, other assets and deferred expenses	<u>2,082</u>	<u>2,240</u>	<u>2,188</u>
	<u>5,676</u>	<u>6,315</u>	<u>6,000</u>
<u>Liabilities and Shareholders' Equity</u>			
Current liabilities	1,624	1,462	1,580
Long-term liabilities	1,188	1,445	1,259
Minority interests	113	154	133
Shareholders' equity	<u>2,751</u>	<u>3,254</u>	<u>3,028</u>
	<u>5,676</u>	<u>6,315</u>	<u>6,000</u>

## CLAL INDUSTRIES AND INVESTMENTS LTD.

### SELECTED CONSOLIDATED STATEMENTS OF OPERATIONS DATA

In millions of shekels of September 2002, except per share data

	For the six months ended September 30		For the three months ended September 30		For the year ended December 31
	2002	2001	2002	2001	2001
	(Unaudited)		(Unaudited)		(Audited)
Revenues	1,947	2,025	651	665	2,698
Costs and expenses	2,172	2,606	846	776	3,525
Loss before taxes	(225)	(581)	(195)	(111)	(827)
Taxes on income	41	88	21	32	122
Loss after taxes	(266)	(669)	(216)	(143)	(949)
Minority interest in losses (earnings) of subsidiaries, net	(10)	208	(3)	(13)	234
Net loss	(276)	(461)	(219)	(156)	(715)
Loss per NIS 1 par value of share capital (in NIS)	(1.76)	(3.18)	(1.39)	(1.01)	(4.84)