

Tel-Aviv, May 19, 2009

CLAL INDUSTRIES AND INVESTMENTS LTD.

EXECUTIVE SUMMARY

AS OF MARCH 31, 2009

1. COMPANY DESCRIPTION

The Board of Directors of Clal Industries and Investments Ltd. ("the Company") is hereby pleased to present the executive summary as of March 31, 2009, which reviews the principal changes in the Company's activities in January through March 2009 ("the reported period"). This report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 under the assumption that the reader has at its disposal the Company's complete periodic report as of December 31, 2008 ("annual financial statements"). The Company's results presented in this report refer to the results attributable to the Company's shareholders, unless otherwise stated.

Clal Industries and Investments Ltd. is one of the largest holding companies in Israel. The Company is controlled by IDB Development Corporation Ltd. ("IDB Development"). IDB Development is wholly controlled by IDB Holdings Ltd.

The Group consists of investees that operate mainly in the fields of traditional industries, commerce and technologies. The Company is engaged, directly and through its investees, in the establishment, acquisition, development and upgrading of companies in various industries. The Company strives to be involved in the management and formulation of the strategy in its investee companies, primarily when the Company possesses significant holdings in these companies. The Company strives to enhance and maximize the value of its existing investments, with a view to realizing those investments at the appropriate time. The Company has access to a variety of business opportunities, being constantly alert for investments with a suitable potential return, in those sectors where it is experienced and knowledgeable.

The Company's activities are conducted through subsidiaries (companies in which the Group holds more than 50% of the rights, either directly or indirectly), jointly controlled entities (companies in respect of which the Group has contractual arrangement with other entities for joint control), associates (companies in which the Group exercises significant influence and which are accounted for in the financial statements by the equity method), and through other companies wherein the Company does not exercise significant influence (the investment in which is reflected in the financial statements at fair value).

The Company's principal targets are:

- Improve business performance in order to achieve maximum return on capital in the long run, with regular economic evaluations of business alternatives and advantageous opportunities.
- Continue establishing the Company as a holding company which coordinates holdings in the following industries: basic manufacturing, high technology and biotechnology, logistics, communication services, energy, consumer products and infrastructures.

In order to achieve these targets, the Company has formulated the following business strategy:

- Focus on a limited number of material holdings possessing stable growth potential, in respect of which the Company can exert a significant influence while exploring new areas of activity that meet these criteria;
- Continue to examine investment opportunities in leading companies, including in investees.
- Utilize opportunities in relevant markets in order to realize investments.
- Continue to search for dumping opportunities and opportunities to increase value of investees.
- Intensify international operations, including those of investees; in this framework, the Company is examining a wide array of investment and cooperation offers in the different segments in which it operates, as well as through its investees, in different geographical regions.
- Nurture and strengthen the ties with existing and potential strategic partners in Israel and worldwide.
- Manage the Company's headquarters as a dynamic entity that works in cooperation with the investees.
- Outsource periodically the management of certain activities, while exercising appropriate controls.
- Contribute to and assist the community in Israel.

The Company is a holding company, mainly engaged in holding shares in investees. As such, its net income mainly includes and is affected by the following elements:

- Equity in earnings of investees, net.
- Net gains from the disposal of investments, update of value of investments and other non-recurring effects on the Company and its investees.
- The Company's headquarter activities, including net financial expenses, general and administrative expenses and income from management fees.

The Company's profits are liable to fluctuate considerably during different reporting periods, mainly due to the timing of the disposal of investments performed by the Company and its investees; due to the effects of changes in prices of securities in the capital markets; and due to changes in the financial expenses of the Company and its investees, whose scope is affected by the net debt amount, by the debt's linkage terms and the net monetary assets and by the change in the Israeli Consumer Price Index ("CPI") and in the exchange rate of the NIS in relation to foreign currencies, mainly the U.S. dollar, in the reported period.

The financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

Global economic crisis (see also paragraph 7 to part A of the description of the Company's business as of December 31, 2008):

In 2008, the global financial markets experienced a significant upset, which grew and deepened in September-October 2008 and continued to deteriorate in early 2009, accompanied by the collapse of several of the largest financial institutions in the U.S. and other countries around the world. The economic and financial crisis followed the Sub-Prime mortgage crunch ¹, which began in the second half of 2007 and was soon joined by other financial sectors. The global economic and financial crisis led, among other things, to a sharp decline in financial asset prices and to severe plunges in capital markets and in securities stock exchanges around the world (including Israel), and followed by significant decreases in prices of securities of certain of the Company's investees. The deteriorating global financial crisis also caused a credit crisis that consisted of a significant decrease in credit availability and credit crunch.

¹ Generally speaking, a "Sub-Prime" loan is a loan given to borrowers whose credit rating is relatively low and is at a higher risk to the lender and therefore given at a higher interest rate than a Prime loan.

Following these events, certain countries, headed by the U.S., the European Union and the UK, took various measures in order to stabilize their economies and prevent further deterioration of the financial markets, this also by pouring funds into financial institutions and lowering interests, yet to date, there is no certainty that these steps will indeed halt the crisis or prevent it from worsening.

The global financial crisis deepened and was followed by a slowdown in real economic activity, which spread from the U.S globally and also affected the Israeli economy. The real economic crisis was manifested by the decrease in the value of properties held by the public (including the impairment of pension funds and increased premature withdrawals of pension funds and advanced study funds), weakened demands, a significant slowdown in economic and commercial activities, a slowdown which intensified towards the end of 2008 and led to the slowing down of the private consumption increase rate and the expansion of economic uncertainty. As a result of the economic crisis, several economies around the world, including the U.S. and many European countries, went into a severe recession expressed, among other things, by a wave of minimized and discontinued activities and widespread downsizing in the various sectors, including real estate, manufacturing, services and hi-tech. In Israel too there are fast growing and clear indications of the deterioration in the economy and the recession. As of the date of this report, the scope of the direct and indirect economic implications of the global and domestic economic crisis and its duration cannot be estimated.

Alongside the global economic crisis discussed above, in the last few months, the Israeli economy underwent several other developments such as the significant fluctuations in the exchange rates of the main foreign currencies in relation to the NIS and the continuing and important lowering of the Bank of Israel's interest.

These market developments and upsets are liable to have material continuing adverse effects on the business results of the Company and of its investees, their liquidity, equity and assets and the ability to realize these assets, the state of their business (including the demand for the products of the Company's investees), their financial benchmarks, credit ratings, ability to distribute dividends and their ability to raise financing for operating activities and long-term activities as well as financing terms.

Due to the crisis, the rating companies have been reevaluating and sometimes updating the rating of corporate debentures. This reevaluation process may have negative implications also on the rating of the investees' debt solvency by those rating companies. For details as to the announcement made by Standard & Poor's Maalot Ltd. ("Maalot") regarding the reevaluation of several investees including the Company with possible negative implications (Credit Watch Negative) and the consequent reevaluation of Mashav and Nesher, see 10c below. As for the quoted market value of investees whose shares are listed, see Note 3b to the Company's financial statements as of March 31, 2009.

The Group's major segments of operations are as follows²:

Cement – The principal company in this segment is Neshar Israeli Cement Enterprises Ltd. ("Neshar"). Neshar is wholly owned by Mashav Initiating and Development Ltd. ("Mashav") (75% owned). The presented segment data are the data of Mashav on a consolidated basis less the data of Taavura.

Golf & Co. Group Ltd. ("Golf") (73% owned). Golf mainly sells and markets textile and home design, fashion and clothing.

Fundtech Ltd. ("Fundtech") (57% owned). Fundtech develops, markets and supports software programs that are used by financial institutions.

Clal Biotechnology Industries Ltd. ("CBI"), (67% owned). CBI operates in the biotechnology sector by investing in life science companies and ventures mostly in research and clinical trial stages. CBI's holdings include, among other things, Mediwound Ltd. (56% owned), D-Pharm Ltd. ("D-Pharm") (41% owned), Curetech Ltd. (42% owned, also through Clal Venture Capital Fund, 23% owned), Andromeda Biotech Ltd. (95% owned) and Poliheal Ltd. (35% owned).

Netvision Ltd. ("Netvision") (25% owned). Netvision is a leading supplier of communication services in Israel and is mainly engaged in providing internet connectivity services, international telephony services and managed services (equipment and communication network endpoint services and domestic telephony services).

KBA Townbuilders Group Ltd. ("KBA") (53% owned). KBA holds land reserves and upgrades and sells them.

Taavura Holdings Ltd. ("Taavura") (37.5% owned). Taavura's holdings include, among other things, Maman Cargo Terminals and Handling Ltd. ("Maman") (77% held by Taavura). Taavura provides transport, infrastructure and logistic services and imports and markets trucks, buses, heavy equipment and cranes and imports and sells automobiles in Europe as well as provides other services.

Hadera Paper Ltd. ("Hadera Paper") (38% owned) (formerly: American Israeli Paper Mills Ltd.). Hadera Paper is mainly active in manufacturing and marketing packaging paper and cardboards, collecting and recycling paper, manufacturing and marketing printing and writing paper, home paper products, disposable diapers and products for house and kitchen cleaning.

² The ownership interests in the companies are as of March 31, 2009. Percentage shareholdings in this report have been rounded to the nearest whole number, unless otherwise indicated or unless figures are provided after the decimal point.

Other - Operations in this segment include, among others, Cargal Ltd. (26% owned), Jaf-Ora Ltd. ("Jaf-Ora") (30% owned), Beit Shemesh Engines Holdings (1997) Ltd. (36% owned), Clal Energy Limited Partnership ("Clal Energy") (100% owned), Clal Motors Ltd. (100% owned), Kitan Textile Industries Ltd. (100% owned), Nova Measuring Instruments Ltd. ("Nova") (21% owned), ECTel Ltd. (17% owned), F.B.R. Infinity Israel II Fund ("F.B.R. Infinity") (39% owned), Infinity I-China (Israel 2) Fund, L.P. ("Infinity Israel-China") (12% owned), Arcadian Networks Inc. ("Arcadian") (12% owned) and Clalcom Ltd. ("Clalcom") (100% owned).

The Group's activities are affected by many external factors (see section 7 to part A of the description of the Company's business as of December 31, 2008).

2. RESULTS OF BUSINESS OPERATIONS

a. Statements of income:

Total net income attributable to the Company's shareholders and to minority interests in the reported period amounted to NIS 124 million, compared to a net income of NIS 53 million in the corresponding period of the previous year and a net income of NIS 133 million in all of 2008.

Net income attributable to the Company's shareholders in the reported period amounted to NIS 101 million, compared to a net income of NIS 8 million in the corresponding period of the previous year and a net income of NIS 26 million in all of 2008.

In the reported period, current income amounted to NIS 82 million, compared to a current income of NIS 25 million in the corresponding period of the previous year. The current contribution of the segments in the reported period totaled NIS 70 million compared to NIS 91 million in the corresponding period of the previous year. This decrease was offset by a decrease in financial and headquarter expenses and the transition to financial and headquarter income of NIS 12 million compared to expenses of NIS 66 million in the corresponding period last year. The main decrease in expenses resulted from a decrease in the rate of inflation and an increase in the U.S. dollar exchange rate in relation to the NIS.

The income in the reported period from realization of investments, adjustment of the value of investments and other net non-recurring factors, net amounted to NIS 19 million and includes mainly income from the expiration of share options for Golf's shares of NIS 14 million and a gain from the decrease in the holding rate in Andromeda of NIS 8 million.

The loss in the corresponding period of 2008 from disposal of investments, adjustments of the values of investments and other net non-recurring factors totaled NIS 17 million, which resulted mainly from the realization of the investment in Saifun of NIS 20 million.

Basic net earnings per share in the reported period totaled NIS 0.64 compared to net earnings of NIS 0.05 in the corresponding period of the previous year and net earnings of NIS 0.16 for all of 2008. The diluted net earnings per share in the reported period totaled NIS 0.61 compared to net earnings of NIS 0.05 in the corresponding period of the previous year and net earnings of NIS 0.14 for all of 2008.

EXECUTIVE SUMMARY AS OF MARCH 31, 2009

b. Data of principal investees and their contribution to income:

1. Data from the financial statements of principal investees³ (NIS in millions):

	Revenues		
	Three months ended		Year ended
	March 31,		December 31,
	2009	2008	2008
Companies that prepare financial statements in NIS (NIS in millions):			
Mashav (excluding Taavura)	364	367	1,560
Taavura	512	490	2,339
Hadera Paper	230	143	673
Golf	151	162	706
KBA	4	127	240
CBI	55	3	35
Netvision	306	300	1,235
A company that prepares financial statements in \$ (U.S. \$ in millions):			
Fundtech ⁴	26	28	121

	Net income (loss)		
	Three months ended		Year ended
	March 31,		December 31,
	2009	2008	2008
Companies that prepare financial statements in NIS (NIS in millions):			
Mashav (excluding Taavura)	48	47	183
Taavura	22	32	77
Hadera Paper	19	21	70
Golf	24	20	101
KBA	3	78	145
CBI	24	(28)	(83)
Netvision	29	27	87
A company that prepares financial statements in \$ (U.S. \$ in millions):			
Fundtech ⁴	(0.9)	0.3	1.2

³ The presented data refer to the results of investees disregarding the Company's holding rate therein and disregarding cancelations of inter-company and inter-segment transactions.

⁴ Relates to financial statements published by Fundtech, according to generally accepted accounting principles in the United States. The Company includes the results of Fundtech according to IFRS.

EXECUTIVE SUMMARY AS OF MARCH 31, 2009

c. Analysis of results by operating segments (NIS in millions):

	Three months ended March 31, 2009			Three months ended March 31, 2008		
	Current	Other	Total	Current	Other	Total
Operating segments:						
Cement	40	(4)	36	35	-	35
Taavura	8	-	8	12	-	12
Hadera Paper	1	6	7	8	-	8
Golf	18	14	32	15	-	15
KBA	1	-	1	39	-	39
Fundtech	(7)	-	(7)	-	-	-
CBI	8	8	16	(18)	-	(18)
Netvision	-	-	-	2	-	2
Other	1	(5)	(4)	(2)	(17)	(19)
Total segment contributions	70	19	89	91	(17)	74
Financing and headquarters	12	-	12	(66)	-	(66)
Net income	82	19	101	25	(17)	8

	Year ended December 31, 2008		
	Current	Other	Total
Operating segments:			
Cement	153	(16)	137
Taavura	26	2	28
Hadera Paper	26	1	27
Golf	75	2	77
KBA	71	-	71
Fundtech	(9)	(2)	(11)
CBI	(57)	1	(56)
Netvision	5	(4)	1
Other	(31)	(6)	(37)
Total segment contributions	259	(22)	237
Financing and headquarters	(211)	-	(211)
Net income	48	(22)	26

Cement segment

a. Review of the cement segment

Net income in the reported period totaled NIS 36 million compared to net income of NIS 35 million in the corresponding period of last year.

b. Review of the condensed operating results of the cement companies

Revenues in the reported period totaled NIS 364 million compared to NIS 367 million in the corresponding period of last year (a 1% decrease), mainly due to the decrease in quantities sold to the local market, mostly offset by the rise in prices in 2008 in the local and export markets. The net income in the reported period amounted to NIS 48 million compared to net income of NIS 47 million in the corresponding period of 2008.

The change in net income in the reported period compared to 2008 is a result of a decrease in revenues as discussed above, a rise in the prices of energy inputs and a non-recurring expense due to streamlining. These effects offset the decrease in the costs of repairing the furnace in the corresponding period of last year, which had been partly renovated in the reported period. The net income was also affected by the increase in financial income owing to the increase in rates of marketable securities and a decrease in financial expenses due to a lower inflation rate.

Taavura

a. Review of the Taavura segment

Net income in the reported period totaled NIS 8 million compared to net income of NIS 12 million in the corresponding period of last year. The decrease in net income compared to 2008 is mainly due to the increase in net financial expenses net of the increase in operating income.

b. Review of the condensed operating results of Taavura

Revenues in the reported period totaled NIS 512 million compared to NIS 490 million in the corresponding period of last year. The increase is owing to revenues of newly consolidated subsidiaries net of reduced sales of trucks and vehicles and in several other transport related activities.

Operating income in the reported period totaled NIS 49 million compared to operating income of NIS 35 million in the corresponding period of last year. Most of the increase arises from earnings of newly consolidated subsidiaries net of impaired earnings from the sale of trucks and vehicles.

Financial expenses, net in the reported period totaled NIS 17 million compared to financial income, net of NIS 4 million in the corresponding period of last year. The increase in financial expenses is mainly due to including financial income from the exercise of an option to purchase shares in an associate of NIS 16 million and financial expenses of newly consolidated subsidiaries in the corresponding period of 2008.

Net income in the reported period totaled NIS 22 million compared to net income of NIS 32 million in the corresponding period of last year. The decrease in net income in the reported period compared to last year is mainly a result of increased net financial expenses as above offset by the increase in operating income.

Hadera Paper

a. Review of the Hadera Paper segment

Net income in the reported period totaled NIS 7 million compared to net income of NIS 8 million in the corresponding period of last year.

b. Review of the condensed operating results of Hadera Paper

Sales in the reported period totaled NIS 230 million compared to NIS 143 million in the corresponding period of 2008 (a 60.8% increase). The main increase in sales arises from the inclusion of the revenues of two subsidiaries (Carmel Container Systems Ltd. and Frenkel K.D. Ltd.) in a total of NIS 133 million, which had not been consolidated last year, offset by the decrease in the sales turnover of packaging paper and recycling due to the effect of the erosion in selling prices and a significant decrease in sales owing to significant excess supplies of packaging paper in Europe which led to the import of packaging paper at lower prices from Europe and reducing scopes of activity of corrugated cardboard manufacturers.

Gross profit in the reported period totaled NIS 37 million, similarly to the corresponding period of last year. In the reported period, there was an increase in gross profit compared to 2008 mainly due to the consolidation of the results of Carmel and Frenkel which were not consolidated last year and offset by the erosion in prices of packaging paper.

Operating income in the reported period totaled NIS 19 million compared to operating income of NIS 17 million in the corresponding period of last year. The improved operating income is mainly a result of recording non-recurring income of NIS 16 million from a unilateral dividend, which was offset by a certain slowdown in the activity of some of the investees of Hadera Paper arising from the global crisis and from recording an expense in respect of a Put option of an associate in an amount of NIS 3 million.

Net income in the reported period totaled NIS 19 million compared to net income of NIS 21 million in the corresponding period of last year.

Golf

a. Review of the Golf segment

Net income in the reported period totaled NIS 32 million compared to net income of NIS 15 million in the corresponding period of last year. The increase in net income in the reported period was mainly due to a gain of NIS 14 million recorded due to the expiration of the remaining stock options (series 1) of Golf and increased financial income partly offset by the decrease in operating income.

b. Review of the condensed operating results of Golf

Revenues in the reported period totaled NIS 151 million compared to NIS 162 million in the corresponding period of 2008 (a 6.8% decrease). The decrease in revenues in the reported period was a result both of the effects of the global economic crisis as described in paragraph 1 above, of the relatively hot weather in the reported period that reduced sales of the winter collection and the closing down of certain Golf shops during the "Cast Led" military operation.

The gross profit in the reported period amounted to NIS 91 million compared to NIS 95 million in the corresponding period of 2008. The increase in the gross profit margin (from 59.3% to 60.7%) compared to the corresponding period of 2008 was a result of the lowering of purchase prices due to increased quantities purchased, the transition to direct purchases from suppliers and the decrease in U.S. dollar exchange rate on the payment dates of the winter collection.

Operating income in the reported period totaled NIS 24 million compared to operating income of NIS 27 million in the corresponding period of last year. The main decrease is due to decrease in gross profit as discussed above.

Financial income, net in the reported period totaled NIS 8 million compared to financial income, net of NIS 0 million in the corresponding period of last year. The increase in financial income is mainly due to recording revenues from future transactions that Golf enters into from time to time in order to hedge its liabilities to suppliers denominated in foreign currency (mainly the U.S. dollar) compared to expenses in the corresponding period of 2008 as well as due to an increase in returns from Golf's excess cash invested in banks and in investment houses compared to the corresponding period last year.

Net income in the reported period totaled NIS 24 million compared to net income of NIS 20 million in the corresponding period of last year. The increase in net income in the reported period compared to last year is mainly a result of increased net financial income as above partly offset by the decrease in operating income.

KBA

a. Review of the KBA segment

Net income in the reported period totaled NIS 1 million compared to net income of NIS 39 million in the corresponding period of last year. The decrease in net income is mostly due to including a large real estate complex in Ashdod in the corresponding period of 2008.

b. Review of the condensed operating results of KBA

Revenues in the reported period totaled NIS 4 million compared to NIS 127 million in the corresponding period of 2008. The decrease in revenues is mainly due to the sale of a large real estate complex in Ashdod in the corresponding period of 2008.

Operating income in the reported period totaled NIS 2 million compared to NIS 107 million in the corresponding period of 2008, a decrease due to reduced revenues.

Net income in the reported period totaled NIS 3 million compared to net income of NIS 78 million in the corresponding period of 2008. The decrease in net income arises from reduced revenues.

Fundtech

a. Review of the Fundtech segment

Net loss in the reported period totaled NIS 7 million compared to net income of NIS 0 million in the corresponding period of 2007. The main decrease in income is due to recording a current amortization of original differences in respect of the Company's investment in Fundtech of NIS 5 million.

b. Review of the condensed operating results of Fundtech

Revenues in the reported period totaled \$ 26 million compared to \$ 28 million in the corresponding period of last year, a 7% decrease.

The operating loss in the reported period amounted to \$ 0.2 million compared to \$ 0.3 million in the corresponding period of last year.

The net loss in the reported period amounted to \$ 0.9 million compared to \$ 0.3 million in the corresponding period of last year. The decrease in income is due to the decrease in financial income of \$ 0.9 million compared to the corresponding period of last year and a decrease in operating income, as above.

CBI

a. Review of the CBI segment

Net income in the reported period totaled NIS 16 million compared to a net loss of NIS 18 million in the corresponding period of 2008. The transition to income arises from an increase in non-recurring profits of NIS 8 million due to the partial exercise of Teva's investment option in Andromeda and the increase in the value of derivatives (NIS 20 million) relating to CBI's investment in Andromeda net of the impairment of the investment option in D-Pharm.

b. Review of the condensed operating results of CBI

Income in the reported period amounts to NIS 24 million compared to a loss of NIS 28 million in the corresponding period of last year. The increase in income in the reported period is a result of (a) an increase in the value of derivatives (NIS 30 million), mainly derivatives relating to CBI's investment in Andromeda and offset by the impairment of the investment option in D-Pharm, (b) the transition to financial income, net (NIS 21 million), mainly due to the changes in the U.S. dollar exchange rate and (c) an increase in the gain from the sale of assets (NIS 11 million) due to the partial exercise of Teva's investment option in Andromeda. This effect was partly offset by the increase in research and development costs (NIS 9 million) mostly due to the first time recording of a liability in Andromeda in respect of previously received Chief Scientist grants.

Netvision

a. Review of the Netvision segment

Net income in the reported period totaled NIS 0 million compared to net income of NIS 2 million in the corresponding period of 2008.

b. Review of the condensed operating results of Netvision

The sales turnover in the reported period totaled NIS 306 million compared to NIS 300 million in the corresponding period of 2008, an increase of some 1.9%, arising mainly from the increase in revenues from the internet connectivity field due to the increase in the exchange rate of the U.S. dollar during the reported period and to an increase in customers.

Operating income in the reported period amounted to NIS 44 million compared to NIS 26 million in the corresponding period of last year. The main increase in operating income arises from the effect of the increase in the exchange rate of the U.S. dollar on revenues from connectivity services, an increase in the number of customers and streamlining efforts introduced in principal expenditure items as opposed to an increase in communication expenses arising from the increase in the scope of domestic and international capacities purchased by the Group for the supply of communication services and due to the increase in the exchange rate of the U.S. dollar.

Netvision's net income in the reported period amounted to NIS 29 million compared to net income of NIS 27 million in the corresponding period of 2007.

3. PRINCIPAL CHANGES IN INVESTMENTS AND IN INVESTEES

a. Golf

On March 9, 2009, the majority of options (series 1) of Golf expired. Consequently, the Company derived a gain of NIS 14 million carried to the income statement in the reported period. As stated in Note 2b(1) to the Company's financial statements as of March 31, 2009, should the Company choose to early adopt starting January 1, 2009 IAS 27 (Revised), "Consolidated and Separate Financial Statements", and IFRS 3 (Revised), "Business Combinations", the amount that would have been carried to earnings will be carried directly to the Company's equity.

b. CBI

1. Andromeda Biotech Ltd. ("Andromeda"):

- a) In furtherance to the matters discussed in Note 11h(4)(a) to the annual financial statements, in August 2008, Teva informed CBI of its decision to exercise the option and invest in Andromeda under the terms specified in the amendment to the agreement signed by the parties in February 2008. Shortly after the announcement, Teva invested in Andromeda an amount of \$ 3 million out of the overall investment amount based on the option granted to it (\$ 10 million). In February 2009, after receiving another interim report regarding the trial being performed by Andromeda, Teva announced its intention to complete its investment in Andromeda based on the option.

In March 2009, Teva transferred to Andromeda an amount of \$ 1.5 million out of the total investment amount. Due to the decrease in CBI's stake in Andromeda following said investment, the Company derived a gain (attributable to the Company's shareholders) of approximately NIS 8 million carried to the income statement in the first quarter of 2009 to gain from sale of investments and assets. Following the investment, CBI's stake in Andromeda decreased to 95.2%.

The completion of said investment is subject to fulfilling all the conditions stipulated in the agreement. Once Teva's investment in Andromeda is completed (an additional investment of \$ 5.5 million), CBI's stake in Andromeda will decrease to about 90% (about 86% on a fully diluted basis). As a result of completing the investment, the Company is expected to recognize an additional gain (attributable to the Company's shareholders) due to the change in the holding rate in Andromeda in a total of approximately NIS 29 million.

As stated in Note 2b(1) to the Company's financial statements as of March 31, 2009, should the Company early adopt IAS 27 (Revised), "Consolidated and Separate Financial Statements", and IFRS 3 (Revised), "Business Combinations" starting January 1, 2009, the amount that would have been carried to earnings will be carried directly to the Company's equity.

Also in the context of said announcement, Teva undertook to provide to Andromeda loans for financing expenses relating to obtaining product marketing approval in both the U.S. and in Europe, excluding expenses relating to the completion of two phase III trials up to 65% of said expenses (and the balance financed by Andromeda).

- b) In March 2009, the parties signed an amendment to the agreement between Teva and Develogen as described in Note 11h(4)(a)(1) to the annual financial statements. According to the amendment, the rate of royalties payable to Develogen Israel was decreased to 3.5% of Andromeda's (net) product sales up to a cumulative amount of € 200 million and 1.5% of net sales in excess of a cumulative amount of € 200 million. Furthermore, Andromeda's investment options in Develogen Israel were cancelled and the amounts that Andromeda might pay Develogen Israel, if and as far as all the milestones are met, may reach some € 19 million, of which approximately € 1 million will be paid upon the completion of Teva's investment in Andromeda as stated in a) above.
- c) CBI hired an independent outside appraiser to quarterly evaluate the series of options exchanged between Andromeda, CBI and Teva, as stated in Note 11h(4)(a) to the annual financial statements. These options include Call options of Teva for Andromeda shares and Put options of shares of Andromeda and of CBI to Teva as well as a Call option granted by Andromeda to Develogen (as for the cancellation of this option, see b) above). As a result of updating the value of the series of options as of March 31, 2009, CBI recorded in the reported period a gain attributable to the equity holders of the Company of NIS 25 million.

EXECUTIVE SUMMARY AS OF MARCH 31, 2009

Following are data required in connection with material evaluations pursuant to Article 8b to the Securities Regulations (Periodic and Immediate Reports), 1970:

Number of Regulation	Required details
8b(i)(1)	The object is the valuation of the series of options exchanged between Andromeda, CBI and Teva. These options include Call options of Teva for Andromeda shares and Put options of Andromeda and CBI shares for Teva as well as a Put option granted to Develogen by Andromeda.
8b(i)(2)	The valuation of the series of options is based on a series of agreements signed between the parties (of June 2007 and several updates the latest of which is of February 2009) according to which Variance Economic Consulting Ltd. valued the options every quarter starting the second quarter of 2007 until the first quarter of 2009. The value of the series of options is estimated as of March 31, 2009.
8b(i)(3)	<p>The value of the options in the Company's books at December 31, 2008 is as follows:</p> <p>The value of the Call options granted by Andromeda to Teva – approximately \$ (7.82) million.</p> <p>The value of the Put options granted by Teva to Andromeda – approximately \$ 3.93 million.</p> <p>The value of the Put options granted by Teva to CBI – approximately \$ 12.85 million.</p> <p>The value of the Put option granted by Andromeda to Develogen – approximately \$ (7.45) million.</p> <p>The total value of the series of options, net approximates \$ 1.51 million (NIS 6 million).</p>
8b(i)(4)	<p>The value of the options that are the subject of the valuation at March 31, 2009 is as follows:</p> <p>The value of the Call options granted by Andromeda to Teva – approximately \$ (3.86) million.</p> <p>The value of the Put options granted by Teva to Andromeda – approximately \$ 4.35 million.</p> <p>The value of the Put options granted by Teva to CBI – approximately \$ 16.01 million.</p> <p>The value of Andromeda's contingent liability to Develogen – approximately \$ (5.57) million. This liability replaced the Put option granted by Andromeda to Develogen.</p> <p>The total value of the series of options and the liability, net approximates \$ 10.93 million (NIS 46 million).</p>
8b(i)(5)	Identification of the appraiser: Variance Economic Consulting Ltd., a company that provides a wide range of professional business, economic and financial consulting services. Variance has extensive experience in rendering services to both private and public companies in the following areas of activity: valuations and due diligence studies for purposes of investment, capital raising, mergers and acquisitions and economic due diligence, various economic services, accompanying BOT projects, stock price determination, impairment testing, PPA to tangible and intangible assets, valuations of share-based payments and valuations of financial instruments based on Israeli, U.S. and international GAAP.

EXECUTIVE SUMMARY AS OF MARCH 31, 2009

Number of Regulation	Required details																								
8b(i)(5)	<p>The performance of the valuations was headed by Mr. Asaf Segal, the partner in charge at Variance Economic Consulting Ltd. of valuations of options and financial assets and providing various transaction services. Asaf has a first degree in economics and statistics from the Hebrew University in Jerusalem and an MBA specializing in financing, computers and IT systems from the School of Business Administration of the Hebrew University in Jerusalem. Asaf has some nine years of experience in performing similar or larger scopes of valuations and is a leading and veteran appraiser of options and various benefit features in particular according to the relevant GAAP.</p> <p>For its valuation, Variance did not receive any liability for indemnification.</p>																								
8b(i)(6)	<p>The valuation model used by the appraiser is the Real Option Valuation Method according to which the value of the options is estimated using a simulation model that considers the possible scenarios, their probability and the gain arising for each party from the exercise of their options.</p>																								
8b(i)(7)	<p>The assumptions underlying the valuation as used by the appraiser are as follows:</p> <p>(a) Discount rate: a discount rate was determined assuming that the Company's product reaches the marketing and selling stage of 12.11%.</p> <p>(b) Irrelevant.</p> <p>(c) Irrelevant.</p> <p>(d) Irrelevant.</p> <p>(e) Irrelevant.</p> <p>(f) Irrelevant.</p> <p>Other principal assumptions:</p> <p>(g) The estimated dates of achieving the milestones and the probability of compliance are as follows:</p> <table border="1" data-bbox="735 1352 1463 1883"> <thead> <tr> <th data-bbox="735 1352 919 1464">Expected option exercise date</th> <th data-bbox="919 1352 1098 1464">Probability of milestone compliance</th> <th data-bbox="1098 1352 1281 1464">Contingent probability of milestone compliance</th> <th data-bbox="1281 1352 1463 1464">Milestone</th> </tr> </thead> <tbody> <tr> <td data-bbox="735 1464 919 1563">April 30, 2009</td> <td data-bbox="919 1464 1098 1563">100%</td> <td data-bbox="1098 1464 1281 1563">100%⁵</td> <td data-bbox="1281 1464 1463 1563">Interim Analysis II Milestone</td> </tr> <tr> <td data-bbox="735 1563 919 1646">Q1 2012</td> <td data-bbox="919 1563 1098 1646">85%</td> <td data-bbox="1098 1563 1281 1646">85%</td> <td data-bbox="1281 1563 1463 1646">First Phase III Final Report Milestone</td> </tr> <tr> <td data-bbox="735 1646 919 1729">Q4 2013</td> <td data-bbox="919 1646 1098 1729">68%</td> <td data-bbox="1098 1646 1281 1729">80%</td> <td data-bbox="1281 1646 1463 1729">Second Phase III Final Report Milestone</td> </tr> <tr> <td data-bbox="735 1729 919 1814">Mid 2014</td> <td data-bbox="919 1729 1098 1814">61.2%</td> <td data-bbox="1098 1729 1281 1814">90%</td> <td data-bbox="1281 1729 1463 1814">European Marketing Milestone</td> </tr> <tr> <td data-bbox="735 1814 919 1883">Mid 2014</td> <td data-bbox="919 1814 1098 1883">58.1%</td> <td data-bbox="1098 1814 1281 1883">95%</td> <td data-bbox="1281 1814 1463 1883">US Marketing Milestone</td> </tr> </tbody> </table>	Expected option exercise date	Probability of milestone compliance	Contingent probability of milestone compliance	Milestone	April 30, 2009	100%	100% ⁵	Interim Analysis II Milestone	Q1 2012	85%	85%	First Phase III Final Report Milestone	Q4 2013	68%	80%	Second Phase III Final Report Milestone	Mid 2014	61.2%	90%	European Marketing Milestone	Mid 2014	58.1%	95%	US Marketing Milestone
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Mid 2014	58.1%	95%	US Marketing Milestone																						

⁵ As of the date of the valuation, positive results were obtained from the interim report of the third stage of the clinical trials and Teva announced that it intends to exercise the option. Nevertheless, as of the date of the valuation, due to technical reasons, the option was only partly exercised and there is a theoretical (yet less probable) possibility that Teva will withdraw from its decision. Accordingly, CBI estimates that it is highly probable that this milestone will be completed, as of the date of the valuation, in the near future.

c. Clal Energy

Clal Energy is examining an investment in a project for establishing a power station with a 220 mw capacity in the Nesher/Carmel Park area. In March 2009, the Company received from the Public Utilities Authority - Electricity a contingent license for erecting a stored energy facility for the generation of electricity using a pumped storage technology. The license is contingent on complying with the milestones detailed in the license, on financial closing and on obtaining the approvals of the planning authorities. There is no certainty that the facility as above will be erected since its construction is subject, among other things, to obtaining all the approvals required by law (including the approval of the Company's authorized entities).

4. THE FINANCIAL POSITION AND FINANCING RESOURCES

- a. Total assets in the consolidated balance sheet of the Company as of March 31, 2009, amounted to NIS 7,960 million, compared to NIS 8,015 million as of December 31, 2008.
- b. As of March 31, 2009, the Group's long-term external financing sources (less current maturities) amounted to NIS 2,961 million compared to NIS 3,136 million as of December 31, 2008. As of March 31, 2009, the Group's short-term financing sources (including current maturities) amounted to NIS 731 million compared to NIS 707 million as of December 31, 2008.
- c. The Company's equity as of March 31, 2009 amounted to NIS 2,588 million, compared to NIS 2,414 million as of December 31, 2008. Equity attributable to equity holders of the Company amounted to NIS 1,857 million, compared to NIS 1,688 million as of December 31, 2008. The Company's equity as of March 31, 2009 represents a source for financing 33% of the Company's assets compared to 30% as of December 31, 2008.
- d. Consolidated working capital as of March 31, 2009 amounts to NIS 1,818 million compared to NIS 1,907 million as of December 31, 2008. As of March 31, 2009, total balances of liquid assets (cash and cash equivalents and short-term investments) amount to NIS 1,964 million compared to NIS 2,022 million as of December 31, 2008. The quick ratio as of March 31, 2009 is 1.57 compared to 1.56 at December 31, 2008.
- e. The principal cash sources were mainly derived from cash flows from operating activities of NIS 139 million, proceeds from the sale of securities measured at fair value through profit and loss of NIS 43 million and the receipt of long-term loans and other liabilities of NIS 32 million. The cash sources were used primarily for investments in fixed assets and intangible assets totaling NIS 67 million, interest payments and repayment of long-term loans of NIS 268 million and dividends paid to the minority of NIS 27 million.

- f. As of March 31, 2009, the balance of liabilities, net, of the Company and its wholly owned headquarter companies (mainly debentures) amounted to NIS 1,053 million (December 31, 2008 – NIS 1,148 million).
- g. The total balances of liquid assets (cash and cash equivalents and short-term investments) as of March 31, 2009 of the Company and its wholly owned headquarter companies amounted to NIS 861 million (December 31, 2008 - NIS 938 million).

5. CONTINGENT LIABILITIES

- a. Kitan:

On April 30, 2008, a claim and a motion to approve the claim as a class action pursuant to the Class Action Law were filed against Kitan ("the claim").

The claim consists of alleged deviation from the standard of emissions of pollutants into the air at Kitan's plant located in Dimona ("the deviation"). The plaintiffs are asking the court for monetary compensation for impairment of autonomous will and jeopardizing of health and demanding that Kitan provide a fund for medical supervision.

The plaintiffs estimate the damage sustained to the residents of Dimona up to the date of filing the motion as a result of the deviation at approximately NIS 234 million.

A pre-trial hearing in the motion was scheduled for June 17, 2009.

According to Kitan's legal advisors, given the preliminary stage of the proceeding, the chances of the claim to prevail cannot be assessed.

- b. As for claims and motions to approve those claims a class actions against filed against Netvision, see Note 5b(1) to the Company's financial statements as of March 31, 2009.

In their auditors' report of the financial statements, the Company's auditors draw attention to these claims.

6. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

a. Shelf prospectus:

On April 5, 2009, the Company filed with the Israel Securities Authority an initial prospectus draft based on the Company's financial statements as of December 31, 2008 for offering the Company's securities in a shelf prospectus.

b. Changes in the Israeli CPI:

As for the increase in the Israeli CPI, see 7i below.

c. Hanson (Israel) Ltd.:

Mashav is holding preliminary negotiations for the acquisition of Hanson (Israel) Ltd. There is no certainty that any such transaction will be executed or what its scope and terms will be, if any.

d. Hadera Paper:

In November 2008, the Company together with Discount Investments Ltd. ("Discount"), a company controlled by IDB, began examining the possible acquisition of Discount's entire holdings in Hadera Paper. In December 2008, this examination was discontinued. Recently, the companies began reexamining this possibility.

e. Netvision Ltd.:

The Company and Discount are examining the possibility of offering Elron Electronic Industries Ltd. (about 49% held by Discount), which holds some 15.8% of Netvision's share capital, to purchase its entire stake in Netvision.

7. QUALITATIVE REPORT REGARDING EXPOSURE TO AND MANAGEMENT OF MARKET RISKS

a. The following report relates to the Company and its wholly-owned headquarter companies whose exposure to market risks is managed by the Company ("the Corporation"). Regarding subsidiaries, see paragraph h below.

b. The officer responsible for managing the financial risks of the Corporation is Mr. Gonen Biber, CFO ("the responsible officer").

c. **Market risks to which the Corporation is exposed:**

The Corporation is exposed to a variety of market risks during the ordinary course of its business. Such risks relate primarily to changes in the prices of marketable securities that could affect the value of the Corporation, and that could also affect its operating results and shareholders' equity. In addition, the Corporation is exposed to changes in interest rates, rate of inflation and currency exchange rates, all of which affect, both directly and indirectly, its operating results and the value of its assets and liabilities.

As for the global economic crisis, see paragraph 1 above.

d. **The Corporation's policies with respect to the management of market risks:**

The Corporation owns a large number of marketable securities of investees. In general, the Company does not hedge its investments in marketable securities, in view of, among others, the extent size amount of the Company's investments in marketable securities, the diversity of investments both in and outside of Israel, the diversity of investments in different business segments, the diversity of investments in various securities, as well as the legal restrictions on the purchase of certain derivative instruments. The Corporation attempts to match, to the extent possible, the linkage bases of its financial assets with those of its liabilities, and the average maturities of its financial assets with those of its liabilities.

The Corporation has excess of index-linked liabilities arising from the nature of its activities – investment in real assets as opposed to raising mainly index-linked funds. Accordingly, the Corporation acts to reduce its exposure in the following areas of activity:

1. From time to time and subject to market conditions and prices of hedging transactions, the Corporation acts to minimize its exposure to Consumer Price indices in respect of CPI-linked loans using forward NIS/CPI transactions.
2. Simultaneously, the Corporation acts to recycle a portion of the debt through index-free loans, subject to the market's supply and demand while reviewing alternatives.
3. The Corporation also purchases/sells foreign currencies from time to time under immediate and future transactions based on the expected cash flows (particularly in respect of investments/realizations) in order to reduce its exposure to foreign currency risks.

e. Methods of supervision and implementation of policies:

In accordance with the resolution of the Corporation's Board and audit committee, the management is authorized:

1. To enter into hedging transactions, from time to time, at its discretion, including forward exchange transactions, options and other financial instruments (with respect to principal or interest), for the purpose of reducing or completely eliminating such exposures as may arise from time to time in consequence of the financial structure of the Corporation and/or in order to reduce financial expenses.
2. With respect to exposure to index related risks - the Corporation, subject to the market's supply of hedging transactions, the terms of these transactions and the forward looking index projections, aspires to reduce exposure in respect of index risks.
3. These hedging transactions will be held until they expire or until the time the debt expires so that, in any event, the hedging transactions will be in an amount and for a period not exceeding the index-linked debt amount and term.

In order to address the exposure in respect of foreign currencies and to reduce financial expenses, only against the asset base and/or projected cash flows, the Corporation's management may purchase/write forward transactions and foreign currency options from time to time.

The transactions are carried out by the responsible officer who is authorized to enter into hedging transactions that are necessary in order to implement the Corporation's policy. The responsible officer reports to the Chairman and/or to the CEO on a regular basis with respect to the hedging transactions that were entered into. Management is required to report to the Board as necessary, and in any event at least once a year. The issue of currency exposure is presented on an ongoing basis in the meetings of the Company's Board and elaborately discussed in the meetings of the Company's Board and balance sheet committee.

f. Report of linkage bases of the Company and its wholly-owned headquarter companies as of March 31, 2009 for which the Company manages the currency exposure:

	<u>Linked to the Israeli CPI</u>	<u>Linked to U.S. dollar</u>	<u>Unlinked</u>	<u>Non- monetary balances</u>	<u>Total</u>
	NIS in millions				
Current assets	109	160	630	4	903
Non-current assets	3	2	24	2,909	2,938
Current liabilities	(210)	(2)	(71)	-	(283)
Non-current liabilities	(1,685)	-	(13)	(3)	(1,701)
Balance sheet, net	<u>(1,783)</u>	<u>160</u>	<u>570</u>	<u>2,910</u>	<u>1,857</u>

EXECUTIVE SUMMARY AS OF MARCH 31, 2009

g. Positions in derivatives of the Company and its wholly owned headquarter companies as of March 31, 2009:

	NIS / CPI							
	Par value				Fair value			
	Up to a year		Over a year		Up to a year		Over a year	
	Long	Short	Long	Short	Long	Short	Long	Short
	NIS in millions							
Forward contract: For hedging, not for accounting purposes	740		95		(10)		(4)	

h. Subsidiaries:

Subsidiaries are exposed to fluctuations in prices of raw materials, energy and changes in exchange rates, interest rates and inflation that affect the revenues and expenses of these companies. Some subsidiaries adjust their sources of revenues and expenses to same currency. Certain subsidiaries enter into hedging transactions in foreign currency derivatives designated to reduce exposure to foreign currency and hedging transactions in order exposure to index related risks. A subsidiary utilizes contracts for periods of up to one year in various commodities and energy products in order to hedge unexpected increases in prices on the global market.

i. Consolidated linkage basis report as of March 31, 2009:

	Linked to the Israeli CPI	Linked to U.S. dollar	Linked to other foreign currencies	Unlinked	Non- monetary balances	Total
	NIS in millions					
Current assets	304	537	202	1,677	860	3,580
Non-current assets	48	135	1	33	4,163	4,380
Current liabilities	(450)	(89)	(150)	(949)	(124)	(1,762)
Non-current liabilities	(2,619)	(55)	(26)	(329)	(581)	(3,610)
Balance sheet, net	(2,717)	528	27	432	4,318	2,588

Subsequent to balance sheet date and through the date of the publication of this report, the Israeli CPI increased by about 1.5%. This increase is expected to have a negative effect on the Company's results for the second quarter of 2009.

j. Positions in derivatives in the consolidated as of March 31, 2009:

	NIS / CPI							
	Par value				Fair value			
	Up to a year		Over a year		Up to a year		Over a year	
	Long	Short	Long	Short	Long	Short	Long	Short
	NIS in millions							
Forward contract: For hedging, not for accounting purposes	1,514		170		(20)		(7)	

EXECUTIVE SUMMARY AS OF MARCH 31, 2009

	NIS / Euro							
	Par value				Fair value			
	Up to a year		Over a year		Up to a year		Over a year	
	Long	Short	Long	Short	Long	Short	Long	Short
	NIS in millions							
Forward contract: For hedging, not for accounting purposes	3	58			*	(2)		

	NIS / U.S. dollar							
	Par value				Fair value			
	Up to a year		Over a year		Up to a year		Over a year	
	Long	Short	Long	Short	Long	Short	Long	Short
	NIS in millions							
Forward contract: For hedging, not for accounting purposes	33	21			2	(*)		

	NIS / U.S. dollar							
	Par value				Fair value			
	Up to a year		Over a year		Up to a year		Over a year	
	Long	Short	Long	Short	Long	Short	Long	Short
	NIS in millions							
Forward contract: For hedging, not for accounting purposes							125	(*)

(*) Lower than NIS 1 million.

k. Sensitivity tests of financial instruments regarding changes in market factors

1. Assumptions:

- a) The fair value of marketable securities is measured at their quoted market prices as of March 31, 2009.
- b) The fair value of debentures was calculated using the current value of future cash flows including discounted interest, at the interest that the Company would have received and at a similar debt ranking had the Company raised/borrowed liabilities with a similar average life based on the effective interest in respect of the marketable debentures or a quotation received by the Company from a financial institution as of balance sheet date. The fair value of debentures listed for trade on the stock exchange is measured based on their quoted market prices at March 31, 2009.
- c) The fair value of long-term loans and liabilities was calculated at the current value of the future cash flows including interest in respect of these liabilities, discounted by the interest that the Company would have received from a bank had it borrowed a similar amount with a similar maturity term.

EXECUTIVE SUMMARY AS OF MARCH 31, 2009

d) The fair value of NIS/CPI forward contracts and NIS/U.S. dollar options was presented at a quotation received by the Company from financial institutions.

2. The following tables illustrate the sensitivity of financial instruments included in the consolidated financial statements as of March 31, 2009 to changes in market factors:

The instrument	Sensitivity test to changes in U.S. dollar exchange rate				
	Gain (loss) from changes		Fair value at 31.3.09	Gain (loss) from changes	
	10%	5%		5%	10%
	exchange rate increase	exchange rate increase	NIS in millions	exchange rate decrease	exchange rate decrease
Cash and cash equivalents	36	18	365	(18)	(36)
Short-term investments excluding derivatives	8	4	80	(4)	(8)
Trade and other receivables	9	5	90	(5)	(9)
Loans and receivables including current maturities	1	1	13	(1)	(1)
Other long-term investments excluding derivatives	2	1	22	(1)	(2)
Credit from banks	(*)	(*)	(2)	*	*
Trade and other payables	(7)	(3)	(68)	3	7
Other long-term liabilities	(4)	(2)	(37)	2	4
Total	45	24	463	(24)	(45)
NIS/U.S. dollar options	(4)	(2)	(*)	2	4
NIS/U.S. dollar forward transaction	1	*	2	(*)	(1)
Total	42	22	465	(22)	(42)

The instrument	Sensitivity test to changes in Euro exchange rate				
	Gain (loss) from changes		Fair value at 31.3.09	Gain (loss) from changes	
	10%	5%		5%	10%
	exchange rate increase	exchange rate increase	NIS in millions	exchange rate decrease	exchange rate decrease
Cash and cash equivalents	2	1	20	(1)	(2)
Short-term investments excluding derivatives	*	*	3	(*)	(*)
Trade and other receivables	5	3	51	(3)	(5)
Loans and receivables including current maturities	*	*	2	(*)	(*)
Trade and other payables	(9)	(5)	(90)	5	9
Loans from banks including current maturities	(3)	(1)	(28)	1	3
Total	(5)	(2)	(42)	2	5
NIS/Euro forward transaction	*	*	(1)	(*)	(*)
Total	(5)	(2)	(43)	2	5

*) Lower than NIS 1 million.

EXECUTIVE SUMMARY AS OF MARCH 31, 2009

The instrument	Sensitivity test to changes in interest rates				
	Gain (loss) from changes			Gain (loss) from changes	
	10% interest rate increase	5% interest rate increase	Fair value at 31.3.09	5% interest rate decrease	10% interest rate decrease
NIS in millions					
Debentures	61	31	(3,029)	(31)	(61)
Loans from banks including current maturities	2	1	(682)	(1)	(2)
Total	63	32	(3,711)	(32)	(63)

The instrument	Sensitivity test to changes in quoted market rates						
	Gain (loss) from changes			Fair value at 31.3.09	Gain (loss) from changes		
	35% rate increase	10% rate increase	5% rate increase		5% rate decrease	10% rate decrease	31% rate decrease
NIS in millions							
Current short-term investments – marketable securities	N/A	58	29	588	(29)	(58)	N/A
Available-for-sale financial assets (**)	N/A	16	8	159	(8)	(16)	N/A
Available-for-sale financial assets (**)	2	*	*	7	(*)	(*)	2
Total	2	74	37	751	(37)	(74)	(5)

The instrument	Sensitivity test to changes in Israeli CPI				
	Gain (loss) from changes		Fair value at 31.3.09	Gain (loss) from changes	
	2% CPI increase	1% CPI increase		1% CPI decrease	2% CPI decrease
NIS in millions					
Short-term investments	6	3	299	(3)	(6)
Debentures	(60)	(30)	(3,029)	30	60
Trade and other payables	(4)	(2)	(176)	2	4
Loans from banks including current maturities	(2)	(1)	(121)	1	2
Forward CPI not recognized for accounting purposes	24	12	(27)	(12)	(24)
	(37)	(19)	(3,094)	19	37

*) Lower than NIS 1 million.

***) The change in the fair value of available-for-sale financial assets is partly expressed in profit and loss and partly in a capital reserve in the consolidated statement of changes in equity.

8. MEMBERS OF THE BOARD OF DIRECTORS

a. Changes in Board members:

1. On March 17, 2009, Mrs. Alicia Rotbard completed her term as external director in the Company possessing accounting and financial skills.
2. On March 22, 2009, the general meeting of the Company approved the appointment of Mrs. Liora Polchek as external director possessing professional skills and the appointment of Mr. Ze'ev Ben Asher as an external director having accounting and financial skills.
3. On April 28, 2009, Mr. Nahum Langental terminated his term as member of the Board possessing professional skills.

- b. The Company has chosen not to adopt in its articles of association the directive allowed by Article 219(e) to the Companies Law, 1999 regarding the percentage of independent directors.

9. PROCESS OF APPROVAL OF THE FINANCIAL STATEMENTS

The Company's Board appointed a balance sheet committee that provides recommendations regarding the discussion of the financial statements and their approval to the Board. The balance sheet committee consists of four directors: Yehezkel Dovrat, the Chairman of the committee (director with accounting and financial skills), Alicia Rotbard (external director with accounting and financial skills) – acted until March 17, 2009, Nahum Langental (external director with professional competence) – acted until April 28, 2009, and David Leviatan (director with accounting and financial skills). On March 22, 2009, Ze'ev Ben-Asher (an external director with accounting and financial skills) and Mrs. Liora Polchek (an external director with professional expertise) were both appointed to the balance sheet committee. The Company's auditors, who are required to present their principal findings, if any, arising from the audit or review of the financial statements, and the Company's internal auditor, Mr. Ilan Amit, must attend the meetings of the balance sheet committee and of the Board where the financial statements are discussed and approved.

Following detailed presentations by officers and others in the Company, including the Company's VP Comptroller, Mr. Yehuda Ben Ezra and the CFO, Mr. Gonen Biber, the balance sheet committee examines the material financial reporting issues, including transactions not in the ordinary course of business, if any, the material evaluations and critical estimates implemented in the financial statements, the probability of data, the accounting policies adopted and changes therein and the adoption of the proper disclosure principle in the financial statements and accompanying information.

The balance sheet committee reviews various aspects of risk management and control, both those reflected in the financial statements (such as financial risk reporting) and those that affect the reliability of the financial statements. If necessary, the balance sheet committee demands comprehensive reviews regarding matters of particular significance.

The approval of the financial statements involves several meetings as required: one that takes place several days prior to the date of the approval of the financial statements for a comprehensive deliberation of the material reporting issues in the balance sheet committee, the second near the date of the approval of the financial statements for a discussion of the results in the context of the balance sheet committee and the third on the date of approval of the financial statements by the Board for discussing the results themselves and the material reporting issues.

10. SPECIFIC REPORTING TO HOLDERS OF LIABILITY CERTIFICATES (regarding items that were materially changed in relation to the executive summary as of December 31, 2008)

a. Data of debentures:

Name of debenture	Issuance date *)	Issued par value	Par value balance	Linked par value balance	Accrued interest	Book value	Quoted market price	Interest type	Principal payment dates	Interest payment dates	linkage
Series I	13.08.2001	86	49	57	2	57	58 ⁶	Fixed 5.7%	7 annual payments from 30.08.06	Annual 30.08	CPI
Series K	12.11.2003	137	97	108	5	108	111 ⁶	Fixed 5.95%	7 annual payments from 31.05.07	Annual 31.5	CPI
Series L	02.05.2005	333	451	495	5	496	522	Fixed 4.35%	5 annual payments from 10.01.09	Annual 10.01	CPI
	25.05.2005	140									
	11.04.2006	91									
	Total	564									
Series M ⁷	02.06.2005	70	533	582	21	551	626	Fixed 4.5%	5 annual payments from 13.06.2013	Annual 10.06	CPI
	11.04.2006	151									
	13.07.2006	342									
	Total	563									
Series N ⁸	16.01.2007	500	477	509	5	508	474	Fixed 4.9%	5 annual payments from 16.01.2018	Annual 16.01	CPI

(*) The initial date of issuance. Some of the series were extended on a later date.

⁶ The debenture series is not traded. Fair value is determined according to interest quotes received from banks.

⁷ The balance presented (except "issued par value" data) is net of NIS 30 million par value held by a wholly-owned subsidiary.

⁸ The balance presented (except "issued par value" data) is net of NIS 23 million par value held by a wholly-owned subsidiary.

b. Details of the trustee for every series of debentures:

Series M – Aurora Fidelity Trust Company Ltd., Mrs. Iris Shelvin, Adv., 1 Azrieli Center, Round Tower, Tel-Aviv, 972-3-6005946, see d below.

c. Rating of debentures:

In January 2007, Standard & Poor's Maalot Ltd. ("Maalot") rated the Company's long-term debt solvency as AA. Said rating is based on a variety of quantitative and qualitative parameters which examine the business positioning and financial stability of the Company and its investees. The rating was attached in an appendix to the Company's executive summary report as of December 31, 2008. In view of recent turmoil in capital markets (see paragraph 1 above regarding the global economic crisis) and the continuing erosion in market prices, the adjusted ratio of holdings with the addition of cash to the Company's gross debt has also sustained erosion. As for the balances of cash and debt at March 31, 2009, see paragraph 4 above. On November 30, 2008, Maalot announced that the rating of the solvency of several Israeli holding companies, including the Company, is being reevaluated with negative credit watch implications. The process of reevaluation may also have negative implications on the debt solvency evaluations of companies held by the Company¹.

d. Disclosure of actions taken in the reported period in connection with liability certificates based on the trustee's requirements:

On July 24, 2008, the Company received the notification of Aurora Fidelity Trust Company Ltd. ("Aurora Fidelity") regarding the expiration of its service as trustee of debentures (series M) in accordance with the provisions of Article 35n(a)(3) to the Securities Act, 1968 ("the Securities Act"). The reason for this expiration, as delivered by Aurora Fidelity, is that its continued rendering of trust services to the holders of debentures (series M) will create a conflict of interests pursuant to the decision of the Securities Authority Plenum of July 26, 2005 regarding conflicts of interests with trustees of holders of liability certificates ("the Authority's directive"). Aurora Fidelity also informed the Company that it will continue to serve in this position until an alternative trustee is appointed by the Company and that the appointment of such alternative trustee requires the consent of the holders of debentures (series M) and the approval of the authorized court of law.

¹ On March 5, 2009, Maalot announced that the ratings of the debt solvency of Mashav and of Neshet are being reevaluated with negative credit watch implications. Maalot announced that the reevaluation process reflects the fact that Mashav and Neshet are both private companies controlled by the Company. The announcement stresses that the reevaluation process is not a result of deterioration in Mashav's and Neshet's financial or business profile.

In the context of the Company's attempts to appoint an alternative trustee to Aurora Fidelity, the Company requested to appoint as trustee of the holders of debentures (series M) Hermetic Trust (1975) Ltd. ("Hermetic"), which acts as trustee for another series of the Company's debentures (series L). Pursuant to the Authority's directive, on December 23, 2008, the Company held a general meeting of holders of debentures (series L) where it obtained the consent of the holders of debentures (series L) to appointing Hermetic, which acts as their trustee, as the trustee of the holders of debentures (series M) as well. On January 25, 2009, the Company held a general meeting of holders of debentures (series M) for obtaining their consent to appointing Hermetic as their trustee. Since the appointment of Hermetic as trustee for the holders of debentures (series M) had not been approved, the Company called a general meeting of the holders of debentures (series M) for March 24, 2009 in order to approve the appointment of Reznik Paz Nevo Trustees Ltd. ("Reznik") as an alternative trustee to Aurora Fidelity in which it received the approval of the holders of debentures (series M) for appointing Reznik as trustee in lieu of Aurora Fidelity. Reznik's appointment will become effective upon the court's approval of the expiration of Aurora Fidelity's service as trustee for the holders of debentures (series M). On May 6, 2009, the Company filed with the Tel-Aviv District Court a request for approving Reznik as trustee for the holders of debentures (series M) in lieu of Aurora Fidelity.

The contact information of Reznik: 14 Yad Harutzim St., Tel-Aviv, Israel. Tel: 972-3-6393311, Fax: 972-3-6393316, contact person: Mr. Yossi Reznik.

11. DONATIONS AND SUPPORTING THE COMMUNITY

On March 17, 2009, the Company's Board decided to place the Company's overall donations budget for 2009 at NIS 3 million of which the Company will donate an amount of NIS 660 thousand through the IDB Foundation for the Community (R.A.).

The Company's Board and management wish to thank the managers and employees of the Group companies for their contribution to the advancement and development of the Group companies and their achievements.

Nochi Dankner
Chairman of the Board

Avi Fischer
Director and Co-CEO

Zvika Livnat
Co-CEO

CLAL INDUSTRIES AND INVESTMENTS LTD.

MARCH 31, 2009

- **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The English version of the 1st quarter of 2009 is a translation of part of the Hebrew version, and is made for convenience purposes only. Please note that the Hebrew version constitutes the binding version.

CLAL INDUSTRIES AND INVESTMENTS LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2009

UNAUDITED

INDEX

	<u>Page</u>
Review of Interim Consolidated Financial Statements	2
Consolidated Balance Sheets	3 - 4
Consolidated Statements of Income	5
Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Changes in Equity	7
Consolidated Statements of Cash Flows	8 - 10
Notes to Interim Consolidated Financial Statements	11 - 24
Appendix to Interim Consolidated Financial Statements	25

Auditors' review report to the shareholders of Clal Industries and Investments Ltd.**Introduction**

We have reviewed the accompanying financial information of Clal Industries and Investments Ltd. and its subsidiaries ("the Group"), which comprises the condensed consolidated balance sheet as of March 31, 2009 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain subsidiaries, whose assets constitute approximately 30% of total consolidated assets as of March 31, 2009, and whose revenues constitute approximately 41% of total consolidated revenues for the three months then ended. In addition, we did not review the condensed interim financial information of certain associates, the investment in which, at equity, amounted to approximately NIS 627 million as of March 31, 2009, and the Group's share in their earnings amounted to approximately NIS 10 million for the three months then ended. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of the other auditors.

Scope of review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the abovementioned, based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Without qualifying our above conclusion, we draw attention to the matter discussed in Note 5 to the financial statements regarding claims filed against investees and motions to recognize these claims as class actions.

CLAL INDUSTRIES AND INVESTMENTS LTD.

	March 31,		December 31,
	2009	*) 2008	2008
	Unaudited		Audited
	NIS in millions		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	1,223	1,201	1,306
Short-term investments	741	753	716
Trade receivables	678	603	703
Other receivables	121	169	86
Inventory	810	785	889
Derivatives	7	23	16
	3,580	3,534	3,716
NON-CURRENT ASSETS:			
Inventory of real estate properties	29	44	29
Loans and receivables	76	21	78
Available-for-sale financial assets	166	184	154
Derivatives	99	54	76
Prepaid operating lease expenses, net	45	37	47
Investments in investees	1,051	1,185	1,039
Investment property	252	264	252
Fixed assets, net	2,188	2,038	2,178
Intangible assets, net	424	111	400
Assets in respect of employee benefits	20	22	18
Deferred taxes	30	26	28
	4,380	3,986	4,299
<u>Total assets</u>	7,960	7,520	8,015

*) Reclassified, see Note 2c.

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

CONSOLIDATED BALANCE SHEETS

	<u>March 31,</u>		<u>December 31,</u>
	<u>2009</u>	<u>*) 2008</u>	<u>2008</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS in millions</u>		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	439	189	411
Current maturities of debentures	292	205	296
Trade payables	332	442	432
Taxes payable	34	156	36
Other payables	616	469	568
Derivatives	49	7	66
	<u>1,762</u>	<u>1,468</u>	<u>1,809</u>
LONG-TERM LIABILITIES:			
Loans from banks	433	322	449
Debentures	2,528	2,781	2,687
Derivatives	21	36	37
Deferred taxes	305	277	311
Liabilities in respect of employee benefits	209	200	223
Other long-term liabilities	114	87	85
	<u>3,610</u>	<u>3,703</u>	<u>3,792</u>
EQUITY:			
Share capital	1,257	1,257	1,257
Share premium	574	574	574
Capital reserves	71	(63)	7
Accumulated deficit	(45)	(38)	(150)
<u>Total equity attributable to equity holders of the Company</u>	<u>1,857</u>	<u>1,730</u>	<u>1,688</u>
Minority interests	731	619	726
<u>Total equity</u>	<u>2,588</u>	<u>2,349</u>	<u>2,414</u>
<u>Total liabilities and equity</u>	<u>7,960</u>	<u>7,520</u>	<u>8,015</u>

*) Reclassified, see Note 2c.

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

.....
Nochi Dankner
Chairman of the Board

.....
Zvika Livnat
Co-CEO

.....
Avi Fischer
Director and Co-CEO

.....
Yehuda Ben Ezra
VP Comptroller

May 19, 2009
Date of approval of the
financial statements

CONSOLIDATED STATEMENTS OF INCOME

	Three months ended		Year ended
	March 31,		December 31,
	2009	*) 2008	2008
	Unaudited		Audited
	NIS in millions (except per share data)		
Revenues:			
Sales and services	965	961	4,204
Equity in earnings of associates, net	7	14	4
Gain from sale of investments and assets	29	6	33
Other income	30	9	24
Financial income	100	48	114
	<u>1,131</u>	<u>1,038</u>	<u>4,379</u>
Costs and expenses:			
Cost of sales and services	708	618	2,748
Selling and marketing expenses	103	87	422
General and administrative expenses	100	56	319
Loss from sale and amortization of investments and assets	2	31	68
Other expenses	13	8	54
Financial expenses	59	129	477
	<u>985</u>	<u>929</u>	<u>4,088</u>
Income before taxes on income	146	109	291
Taxes on income	22	56	158
Net income	<u>124</u>	<u>53</u>	<u>133</u>
Attributable to:			
Equity holders of the Company	101	8	26
Minority interests	23	45	107
	<u>124</u>	<u>53</u>	<u>133</u>
Net earnings per share attributable to equity holders of the Company (in NIS):			
Basic net earnings	<u>0.64</u>	<u>0.05</u>	<u>0.16</u>
Diluted net earnings	<u>0.61</u>	<u>0.05</u>	<u>0.14</u>

*) Reclassified, see Note 2c.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended		Year ended
	March 31,		December 31,
	2009	*) 2008	2008
	Unaudited		Audited
	NIS in millions		
Net income	124	53	133
Other comprehensive income (loss):			
Net change in fair value of available-for-sale financial assets net of taxes	11	2	4
Actuarial gains (losses) in respect of defined benefit plans net of taxes	1	-	(14)
Reserve from revaluation of investment following business combination	-	-	33
Foreign currency translation reserve in respect of foreign operations	54	(5)	16
Group's share in net other comprehensive income (loss) in associates	25	(60)	(26)
Other comprehensive income (loss), net	91	(63)	13
Total comprehensive income (loss)	215	(10)	146
Attributable to:			
Equity holders of the Company	169	(53)	31
Minority interests	46	43	115
	215	(10)	146

*) Reclassified, see Note 2c.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company				Total	Minority interests	Total
	Share capital	Share premium	Capital reserves *)	Accumulated deficit			
	NIS in millions						
Balance as of January 1, 2009 (audited)	1,257	574	7	(150)	1,688	726	2,414
Total comprehensive income, net	-	-	67	102	169	46	215
Reserve from revaluation of investment following achievement of control carried to retained earnings	-	-	(3)	3	-	-	-
Expiration of stock options in subsidiary	-	-	-	-	-	(14)	(14)
Acquisition of minority interests in subsidiary	-	-	-	-	-	(5)	(5)
Cost of share-based payment	-	-	-	-	-	5	5
Dividend paid to minority	-	-	-	-	-	(27)	(27)
Balance as of March 31, 2009 (unaudited)	<u>1,257</u>	<u>574</u>	<u>71</u>	<u>(45)</u>	<u>1,857</u>	<u>731</u>	<u>2,588</u>
Balance as of January 1, 2008 (audited)	1,257	574	(2)	(50)	1,779	572	2,351
Total comprehensive income (loss), net	-	-	(61)	8	(53)	43	(10)
Cost of share-based payment	-	-	-	-	-	1	1
Acquisition of minority interests	-	-	-	-	-	(25)	(25)
Acquisition of newly consolidated subsidiaries	-	-	-	4	4	50	54
Dividend paid to minority	-	-	-	-	-	(22)	(22)
Balance as of March 31, 2008 (unaudited)	<u>1,257</u>	<u>574</u>	<u>(63)</u>	<u>(38)</u>	<u>1,730</u>	<u>619</u>	<u>2,349</u>
Balance as of January 1, 2008 (audited)	1,257	574	(2)	(50)	1,779	572	2,351
Total comprehensive income, net	-	-	19	12	31	115	146
Reserve from revaluation of investment following achievement of control carried to retained earnings	-	-	(10)	10	-	-	-
Issuance to minority in subsidiaries	-	-	-	-	-	9	9
Exercise of employee options into shares in subsidiaries	-	-	-	-	-	2	2
Cost of share-based payment	-	-	-	-	-	17	17
Dividend paid	-	-	-	(126)	(126)	-	(126)
Acquisition of minority interests	-	-	-	-	-	(36)	(36)
Acquisition of newly consolidated subsidiaries	-	-	-	4	4	223	227
Dividend paid to minority	-	-	-	-	-	(176)	(176)
Balance as of December 31, 2008 (audited)	<u>1,257</u>	<u>574</u>	<u>7</u>	<u>(150)</u>	<u>1,688</u>	<u>726</u>	<u>2,414</u>

*) Composition of capital reserves:

	March 31,		December 31,
	2009	2008	2008
	Unaudited		Audited
NIS in millions			
Transactions with controlling shareholders	6	6	6
Revaluation of investment following achievement of control	26	-	29
Cash flow hedge	-	-	(2)
Available-for-sale financial assets	25	13	15
Foreign currency translation adjustments of investees	14	(82)	(41)
	<u>71</u>	<u>(63)</u>	<u>7</u>

CLAL INDUSTRIES AND INVESTMENTS LTD.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31,		December 31,
	2009	*) 2008	2008
	Unaudited		Audited
	NIS in millions		
<u>Cash flows from operating activities:</u>			
Net income	124	53	133
Adjustments to reconcile net income to net cash provided by operating activities			
Adjustments to profit and loss items:			
Depreciation of fixed assets and intangible assets	74	42	206
Loss (gain) from sale and amortization of investments and assets, net	(27)	25	35
Taxes on income	22	56	158
Income tax paid, net	(31)	(18)	(273)
Financial expenses (income), net	(41)	81	363
Equity in earnings of associates, net	(7)	(14)	(4)
Proceeds from disposal of derivatives	-	-	2
Change in fair value of investment property	-	-	3
Dividend received from associates	-	-	12
Cost of share-based payment	5	1	17
Change in liabilities in respect of employee benefits, net	4	(2)	(2)
	(1)	171	517
Changes in asset and liability items:			
Decrease (increase) in trade receivables and other accounts receivable	27	(33)	12
Decrease (increase) in inventory and inventory of real estate properties, net	81	(46)	(164)
Increase (decrease) in trade payables and other accounts payable	(92)	112	20
Total adjustments to reconcile net income to net cash provided by operating activities	15	204	385
Net cash provided by operating activities	139	257	518
<u>Cash flows from investing activities:</u>			
Purchase of fixed assets and intangible assets	(67)	(128)	(392)
Purchase of investment property	-	(11)	(11)
Acquisition of newly consolidated subsidiaries net of acquired cash (a)	-	(11)	(23)
Acquisition of associates and available-for-sale financial assets	(2)	(5)	(69)
Proceeds from sale of fixed assets	13	11	33
Proceeds from sale of investments in associates and available-for-sale financial assets	1	4	74
Acquisition of minority interests in subsidiary	(6)	(25)	(34)
Proceeds from (acquisition of) held-for-trading securities, net	43	(42)	(161)
Long-term loans and other credit granted	-	-	(19)
Collection of long-term loans and other credit	-	-	31
Interest received	3	1	43
Bank deposits, net	(33)	(109)	60
Net cash used in investing activities	(48)	(315)	(468)

*) Reclassified, see Note 2c.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31,		December 31,
	2009	*) 2008	2008
	Unaudited		Audited
	NIS in millions		
<u>Cash flows from financing activities:</u>			
Issuance of share capital to minority in subsidiaries	6	-	50
Dividend paid to Company shareholders	-	-	(126)
Proceeds from sale of derivatives	-	-	47
Interest paid	(88)	(81)	(179)
Dividend paid to minority	(27)	(22)	(176)
Issuance of stock options to minority in subsidiary	-	-	5
Receipt of long-term loans and other liabilities	32	151	460
Repayment of long-term loans and other liabilities	(180)	(30)	(218)
Short-term credit from banks and others, net	10	(4)	87
Net cash provided by (used in) financing activities	<u>(247)</u>	<u>14</u>	<u>(50)</u>
Effect of exchange rate fluctuations on cash and cash equivalents, net	<u>74</u>	<u>(66)</u>	<u>(33)</u>
Decrease in cash and cash equivalents	(82)	(110)	(33)
Cash and cash equivalents at the beginning of the period	<u>1,299</u>	<u>1,332</u>	<u>1,332</u>
Cash and cash equivalents at the end of the period **)	<u><u>1,217</u></u>	<u><u>1,222</u></u>	<u><u>1,299</u></u>
 ***) Presented in the balance sheet as follows:			
Overdrafts (in credit from banks)	(6)	-	(7)
Cash and cash equivalents	<u>1,223</u>	<u>1,222</u>	<u>1,306</u>
	<u><u>1,217</u></u>	<u><u>1,222</u></u>	<u><u>1,299</u></u>

*) Reclassified, see Note 2c.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31,	*) 2008	December 31,
	2009		2008
	Unaudited		Audited
	NIS in millions		
(a) <u>Acquisition of newly consolidated subsidiaries net of cash acquired:</u>			
The subsidiaries' assets and liabilities at date of acquisition:			
Working capital (excluding cash and cash equivalents)	-	(15)	(42)
Fixed and other assets	-	(184)	(236)
Intangible assets	-	-	(213)
Other non-current assets	-	-	(48)
Long-term liabilities	-	76	89
Minority interest	-	46	175
Investment in associate	-	66	252
	<u>-</u>	<u>(11)</u>	<u>(23)</u>
(b) <u>Significant non-cash transactions:</u>			
Acquisition of fixed assets on credit	<u>-</u>	<u>5</u>	<u>6</u>
Transfer of inventories to fixed assets	<u>-</u>	<u>-</u>	<u>9</u>
Share proceeds from sale of available-for-sale financial assets	<u>-</u>	<u>16</u>	<u>16</u>
Receivables from sale of investment in shares	<u>-</u>	<u>61</u>	<u>-</u>
Exchange of option granted under technology acquisition agreement in installments	<u>23</u>	<u>-</u>	<u>-</u>

*) Reclassified, see Note 2c.

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

These financial statements have been prepared in a condensed format as of March 31, 2009 and for the three months then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2008 and for the year then ended and accompanying notes ("annual financial statements").

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

- a. Basis of preparation of the interim consolidated financial statements:

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The significant accounting policies and methods of computation adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual financial statements, except for the noted below:

IAS 1 (Revised) - Presentation of Financial Statements:

IAS 1 (Revised) introduces an additional statement, "statement of comprehensive income". The statement may be presented as a separate statement which includes net income and all items carried in the reported period directly to equity that do not result from transactions with the shareholders in their capacity as shareholders (other comprehensive income) such as adjustments arising from translating the financial statements of foreign operations, fair value adjustments of available-for-sale financial assets, changes in revaluation reserve of fixed assets and etc. and the tax effect of these items carried directly to equity, with allocation between the Company and the minority interests. Alternatively, the items of other comprehensive income may be displayed along with the items of the statement of income in a single statement entitled "statement of comprehensive income" which replaces the statement of income, while properly allocated between the Company and the minority interests. Items carried to equity resulting from transactions with the shareholders in their capacity as shareholders (such as capital issues, dividend distribution etc.) will be disclosed in the statement of changes in equity as will the summary line carried forward from the statement of comprehensive income, with allocation between the Company and the minority interests.

IAS 1 (Revised) also requires entities to present a balance sheet as of the beginning of the comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in the annual financial statements.

The revision was adopted on January 1, 2009 with a retrospective restatement of comparative figures.

IFRS 2 - Share-based Payment:

Pursuant to an amendment to IFRS 2, the definition of vesting terms will only include service conditions and performance conditions and the cancellation of a grant that includes non-vesting conditions by the Company or the counterparty, will be accounted for by way of acceleration of vesting and not by forfeiture.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Vesting conditions include only service and performance conditions. Conditions that are other than service and performance conditions will be viewed as non-vesting conditions and must therefore be taken into account when estimating the fair value of the instrument granted.

This amendment was adopted on January 1, 2009. The initial adoption of the Standard did not have any material effect on the interim consolidated financial statements.

IAS 20 - Government Grants:

Pursuant to an amendment to IAS 20, interest-free loans or loans with a below-market rate of interest received by a company from the State will be accounted for upon initial recognition and in subsequent periods pursuant to the provisions of IAS 39, "Financial Instruments: Recognition and Measurement". Accordingly, the loan will be initially measured at fair value and discounted at market interest. The difference between the loan amount received and the fair value will be accounted for thereafter as a Government grant according to the provisions of the Standard.

The amendment was adopted as a prospective change on January 1, 2009 with respect of Scientist's grants received after that date. The initial adoption of the Standard did not have any material effect on the interim consolidated financial statements.

IAS 28 - Investment in Associates:

Pursuant to an amendment to IAS 28, the test of impairment of an investment in an associate will be carried out with reference to the entire investment. Accordingly, a recognized impairment loss is not allocated specifically but rather attributed to the investment as a whole. Therefore, the entire impairment loss previously recognized may be reversed to the extent that the relevant conditions are satisfied.

The amendment was adopted as a prospective change on January 1, 2009. The initial adoption of the Standard did not have any material effect on the interim consolidated financial statements.

IAS 38 - Intangible Assets:

Pursuant to an amendment to IAS 38, expenses incurred from advertising, marketing or promotional activities will be recognized as an expense when the company has the right to access to the advertising goods or when the company receives those services. For these purposes, the activities also include production of catalogs and promotional pamphlets. Also, IAS 38 is amended to allow the unit of production amortization method for all intangible assets even if it results in a lower amount of accumulated amortization than under the straight-line method.

The amendment was adopted on January 1, 2009. The initial adoption of the Standard did not have any material effect on the interim consolidated financial statements.

IFRIC 13 - Customer Loyalty Programmes:

IFRIC 13 applies to customer loyalty awards which the company grants as part of a sales transaction in order to promote future purchases by the same customers. Subject to meeting qualifying conditions, the customer can redeem the award in the future for free or discounted goods or services.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Interpretation prescribes that customer credit awards granted are accounted for as a separate component of the sales transaction in which they were granted. Total sale consideration is allocated between the award credits and the other components of the sale (such as the main product or service) by reference to the fair value of the credit award.

The Interpretation was applied retrospectively on January 1, 2009. The initial adoption of the Interpretation did not have any material effect on the interim consolidated financial statements.

IFRIC 15 - Agreements for the Construction of Real Estate:

IFRIC 15 establishes rules for distinguishing between agreements for the construction of real estate under the scope of IAS 11 and similar agreements under the scope of IAS 18. When an agreement is specifically negotiated for the construction of an asset or a combination of assets when the buyer is able to specify the major structural elements and specify any changes therein, the agreement is within the scope of IAS 11. Accordingly, revenue will be recognized by reference to the stage of completion. In contrast, when the buyer has only limited ability to influence the design or to specify only minor variations, the agreement is an agreement for the sale of real estate within the scope of IAS 18.

The Interpretation was applied retrospectively on January 1, 2009. The initial adoption of the Interpretation did not have any material effect on the interim consolidated financial statements.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation:

IFRIC 16 prescribes that a risk arising from foreign exchange differences of the presentation currency of a company does not create an exposure to which hedge accounting can be applied, consequently, a hedged risk may be designated only in respect of the company's functional currency. Moreover, the risk arising from foreign exchange differences of the functional currency of any subsidiary may be hedged by any entity within the Group even if that subsidiary is indirectly controlled by another entity within the Group. The Interpretation also prescribes that the hedging instrument may be held by any entity within the Group.

The Interpretation was adopted as a prospective change on January 1, 2009. The initial adoption of the Interpretation did not have any material effect on the interim consolidated financial statements. IAS 23 (Revised) - Borrowing Costs:

In accordance with the revised IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset must be capitalized. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale and includes fixed assets, investment property and inventories that take a substantial period of time to get ready for sale. The possibility of immediately carrying these costs as an expense has been removed.

The amendment was adopted as a prospective change on January 1, 2009. The initial adoption of the Standard did not have any material effect on the interim consolidated financial statements.

IAS 40 - Investment Property:

Pursuant to an amendment to IAS 40, investment property under construction or development for future use as an investment property will be classified as investment property if the fair value model is applied and it can be measured reliably. Investment property under construction will be measured at cost if fair value can not be measured reliably until such time as the fair value becomes reliably measurable or construction is completed, whichever comes earlier.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The amendment was adopted as a prospective change on January 1, 2009. The initial adoption of the Standard did not have any material effect on the interim consolidated financial statements.

IAS 16 - Property, Plant and Equipment:

Pursuant to an amendment to IAS 16, fixed assets held for rental that are routinely sold in the ordinary course of business will be transferred to inventories when rental ceases and, accordingly, their sale will be presented in the statement of income as (gross) revenue rather than a (net) gain. Simultaneously, cash payments and cash receipts from investment in such assets will be presented within operating activities in the statement of cash flows rather than within investing activities.

The amendment was adopted as a prospective change on January 1, 2009. The initial adoption of the Standard did not have any material effect on the interim consolidated financial statements.

IAS 19 (Revised) - Employee Benefits:

Pursuant to IAS 19 (Revised), a group of other long-term benefits will also comprise employee benefits to which entitlement is established in a short period of time but whose expected utilization date occurs over one year from the period qualifying for the benefits, such as cumulative benefits in respect of vacation pay and sick leave that are expected to be utilized in the period exceeding one year subsequent to balance sheet date. Accordingly, these benefits are now required to be recognized in the financial statements based on an actuarial calculation given future salaries and as discounted to present value.

Following a re-examination of the interpretation to the amendment in the first quarter of 2009, the accounting treatment was remodified to the previous accounting treatment, namely, the liability for these benefits is measured in nominal values. The effect of this change on the financial statements is immaterial.

b. Disclosure of new IFRS Standards in the period prior to their adoption:

1. IFRS 3 (Revised) - Business Combinations and IAS 27 - Consolidated and Separate Financial Statements:

IFRS 3 (Revised) and the amendments to IAS 27 ("the Standards") will be effective for annual financial statements for periods beginning on January 1, 2010. The combined early adoption of the two Standards is permitted.

The principal changes expected to take place following the adoption of the Standards are:

- a) Full fair value treatment of transactions that result in deconsolidation so that the remaining stake after deconsolidation is revalued at fair value to the income statement.
- b) Full fair value treatment of transactions that result in (first time) consolidation in the financial statements so that the original investment prior to the consolidation is revalued at fair value to the income statement. In the existence of minority, goodwill for each transaction can individually be measured at full fair value and not only the acquired part.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- c) Treating the acquisitions of additional shares or the sales of some of the existing shares when the Company still consolidates the financial statements of the companies that are counterparty to the transactions such that all the differences arising from the transactions are carried directly to equity (including differences previously carried to profit and loss or to goodwill).
- d) Carrying the transactions costs to profit and loss directly.
- e) Measuring contingent considerations in business combinations at fair value and carrying the changes in estimates therein to profit and loss.
- f) Not updating goodwill for the utilization of losses carried forward for tax purposes as they were on the date of business acquisition.
- g) A subsidiary's losses, even if they lead to the subsidiary's deficiency, will be allocated between the parent company and minority interests even if the minority did not provide guarantees for the subsidiary or has no contractual obligation to support the subsidiary or to make another investment.

The Company is examining the early adoption of these Standards and if and when they are adopted, they might have a material effect on the Company's operating results and financial position.

2. IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations:

Pursuant to an amendment to IFRS 5, when the parent company decides to sell part of its holdings in a subsidiary whereby following the sale, the parent company will maintain a percentage of holding that does not confer control, for example, rights entitling to significant influence, all of that subsidiary's assets and liabilities will be classified as held for sale when the criteria in IFRS 5 are met, including disclosures for discontinued operations. The amendment to IFRS 5 will be prospectively adopted starting from the financial statements for periods beginning on January 1, 2010. Earlier application is permitted.

The Company believes that the effect of the amendment on its financial position, operating results and cash flows is not expected be material.

3. IFRIC 18 - Transfers of Assets from Customers:

IFRIC 18 ("the Interpretation") provides guidance on the accounting treatment in a Company that receives fixed assets or cash from its customers for the acquisition, rendering of services or construction of assets. The Interpretation applies prospectively to transactions made on or after July 1, 2009. Earlier application is permitted.

According to the Interpretation, when an item of fixed asset is received, as above, it should be assessed whether the transferred item meets the definition of fixed assets, including control of the asset. If the definition is met, the transferred asset should be recognized in the financial statements at its fair value as an asset received in an exchange transaction that has commercial substance in accordance with IAS 18. Simultaneously with the recognition of an asset, revenue is recognized for the asset or the supply of services if the relevant criteria of IAS 18 are met, including those addressing the existence of several separately identifiable components. Accordingly, revenue should be recognized over the period in which the services are rendered based on the agreement for the supply of services.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Company believes that the effect of the new Interpretation on its financial position, operating results and cash flows is not expected be material.

4. IAS 17 - Leases:

The amended IAS 17 ("the amendment") deals with the classification of land and buildings. Pursuant to the amendment, the specific criteria for land classification were removed. Consequently, the requirement to classify a lease of land as an operating lease when title does not pass at the end of the lease no longer exists but the classification of the lease of land shall be examined by reference to the general guidance in IAS 17 which addresses the classification of a lease as finance or operating while taking into account that land, normally, has an indefinite economic life.

The amendment will be retrospectively or prospectively adopted starting from the financial statements for periods beginning on January 1, 2010. Earlier application is permitted. For the retrospective adoption, at the date of adoption of the amendment, the classification of the land shall be reassessed on the basis of information existing at the inception of the lease and if there has been a change in the lease classification, the guidance of IAS 17 shall be applied retrospectively at the inception of the lease. However, if the entity does not have the information necessary to apply the amendment retrospectively, it shall apply the amendment prospectively on the basis of the information existing at the date it adopts the amendment and recognize the asset and liability relating to the land lease newly classified as a finance lease at the fair value on that date. Any difference between the fair value of the asset and the fair value of the liability will be recognized in retained earnings.

The Company is examining the effect of the amendment on its financial statements but is currently unable to assess its results.

5. IAS 36 - Impairment of Assets:

The amended IAS 36 ("the amendment") defines the required accounting unit to which goodwill will be allocated for impairment testing of goodwill. Pursuant to the amendment, the largest unit permitted for impairment testing of goodwill acquired in a business combination is an operating segment as defined in IFRS 8, "Operating Segments" before the aggregation for reporting purposes. The amendment will be prospectively adopted starting from the financial statements for periods beginning on January 1, 2010. Earlier application is permitted.

The Company believes that the effect of the amendment on its financial position, operating results and cash flows is not expected be material.

c. The Company reclassified various asset and liability items in the balance sheet as of March 31, 2008 as well as income and expense items in the income statement for the three months then ended in immaterial amounts.

d. Following are data regarding the Israeli CPI and the exchange rates of the U.S. dollar:

<u>Israeli CPI</u>	<u>Known Israeli</u>	<u>Exchange rate</u>
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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of	CPI		of one U.S. dollar
	Points *)	Points *)	NIS
March 31, 2009	117.8	117.2	4.188
March 31, 2008	113.7	113.4	3.553
December 31, 2008	118.0	118.1	3.802
Change during the period ended	%	%	%
March 31, 2009 (3 months)	(0.1)	(0.7)	10.2
March 31, 2008 (3 months)	0.1	0.4	(7.6)
December 31, 2008 (12 months)	3.8	4.5	(1.1)

*) The index is on an average basis of 2000 = 100.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD

a. Principal changes in investments during the reported period:

1. Clal Biotechnology Industries Ltd. ("CBI"):

Andromeda Biotech Ltd. ("Andromeda"):

- a) In furtherance to the matters discussed in Note 11h(4)(a) to the annual financial statements, in August 2008, Teva informed CBI of its decision to exercise the option and invest in Andromeda under the terms specified in the amendment to the agreement signed by the parties in February 2008. Shortly after the announcement, Teva invested in Andromeda an amount of \$ 3 million out of the overall investment amount based on the option granted to it (\$ 10 million). In February 2009, after receiving another interim report regarding the trial being performed by Andromeda, Teva announced its intention to complete its investment in Andromeda based on the option.

In March 2009, Teva transferred to Andromeda an amount of \$ 1.5 million out of the total investment amount. Due to the decrease in CBI's stake in Andromeda following said investment, the Company derived a gain (attributable to the Company's shareholders) of approximately NIS 8 million carried to the income statement in the first quarter of 2009 to gain from sale of investments and assets. Following the investment, CBI's stake in Andromeda decreased to 95.2%.

The completion of said investment is subject to fulfilling all the conditions stipulated in the agreement. Once Teva's investment in Andromeda is completed (an additional investment of \$ 5.5 million), CBI's stake in Andromeda will decrease to about 90% (about 86% on a fully diluted basis). As a result of completing the investment, the Company is expected to recognize an additional gain (attributable to the Company's shareholders) due to the change in the holding rate in Andromeda in a total of approximately NIS 29 million. As stated in Note 2b(1) above, should the Company early adopt IAS 27 (Revised), "Consolidated and Separate Financial Statements", and IFRS 3 (Revised), "Business Combinations" starting January 1, 2009, the amount that would have been carried to earnings will be carried directly to the Company's equity.

CBI hired an independent outside appraiser to quarterly evaluate the series of options exchanged between Andromeda, CBI and Teva, as stated in Note 11h(4)(a) to the annual financial statements. These options include Call options of Teva for Andromeda shares and Put options of shares of Andromeda and of CBI to Teva as well as a Call option granted by Andromeda to Develogen (as for the cancellation of this option, see b) below). As a result of updating the value of the series of options as of March 31, 2009, CBI recorded in the reported period a gain attributable to the equity holders of the Company of NIS 25 million.

Also in the context of said announcement, Teva undertook to provide to Andromeda loans for financing expenses relating to obtaining product marketing approval in both the U.S. and in Europe, excluding expenses relating to the completion of two phase III trials up to 65% of said expenses (and the balance financed by Andromeda).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD (Cont.)**

- b) In March 2009, the parties signed an amendment to the agreement between Teva and Develogen as described in Note 11h(4)(a)(1) to the annual financial statements. According to the amendment, the rate of royalties payable to Develogen Israel was decreased to 3.5% of Andromeda's (net) product sales up to a cumulative amount of € 200 million and 1.5% of net sales in excess of a cumulative amount of € 200 million. Furthermore, Andromeda's investment options in Develogen Israel were cancelled and the amounts that Andromeda might pay Develogen Israel, if and as far as all the milestones are met, may reach some € 19 million, of which approximately € 1 million will be paid upon the completion of Teva's investment in Andromeda as stated in a) above.

2. Golf & Co. Group Ltd. ("Golf")

On March 9, 2009, the majority of options (series 1) of Golf expired. Consequently, the Company derived a gain of NIS 14 million carried to the income statement in the first quarter of 2009.

As stated in Note 2b(1) above, should the Company choose to early adopt starting January 1, 2009 IAS 27 (Revised), "Consolidated and Separate Financial Statements", and IFRS 3 (Revised), "Business Combinations", the amount that would have been carried to earnings will be carried directly to the Company's equity.

- b. Investments in listed companies:

	Amount of investment in shares as presented in the balance sheet at	Market value at	
		March 31, 2009	March 31, 2009
NIS in millions			
Associates:			
Netvision Ltd.	298	236	240
Hadera Paper Ltd.	304	315	297
Beit Shemesh Engine Holdings (1997) Ltd.	42	12	13
ECTel Ltd.	26	4	7
Nova Measuring Instruments Ltd.	19	13	14
BioCancell Inc.	9	5	9
Subsidiaries:			
Golf & Co. Group Ltd.	182	395	376
Fundtech Ltd.	348	308	320
Clal Biotechnology Industries Ltd.	164	241	308
Maman - Cargo Terminals and Handling Ltd.	94	53	56

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- OPERATING SEGMENTS

a. General:

The Company early adopted IFRS 8, "Operating Segments", for the first time in these financial statements. According to IFRS 8, segment information is presented for the Company's operating segments based on the Company's executive and internal reports ("executive reports"). The Company adopted IAS 14 in its interim financial statements as of March 31, 2008 and reported business segments. Accordingly, the operating segments for March 31, 2008 were restated.

In these financial statements, the Company's determination of reportable operating segments in accordance with IFRS 8 was derived from the executive reports based on the Company's investment in each held investee ("the segment company") such that each Company investee represents an operating segment. Certain investees held by the Company that meet the criteria prescribed by IFRS 8 represent a reportable operating segment: Cement, Taavura, Hadera Paper, Golf, KBA, Fundtech, CBI and Netvision.

1. Cement - the principal company in this segment is Neshor Israeli Cement Enterprises Ltd. ("Neshor"). Neshor is wholly owned by Mashav Initiating and Development Ltd. ("Mashav") (75% owned). The presented segment data are the data of Mashav on a consolidated basis less the data of Taavura.
2. Taavura Holdings Ltd. ("Taavura") (37.5% owned) - Taavura provides transport, infrastructure and logistic services, imports and markets trucks, buses, heavy equipment and cranes and imports and markets automobiles in Europe as well as provides other services.
3. Hadera Paper Ltd. ("Hadera Paper") (38% owned) - Hadera Paper is mainly engaged in manufacturing and marketing packaging paper and cardboards, collecting and recycling paper, manufacturing and marketing writing and printing paper, home paper products, disposable diapers and home and kitchen cleaning products.
4. Golf & Co. Group Ltd. ("Golf") (73% owned) - Golf is mainly engaged in marketing and selling clothing for various settings.
5. KBA Townbuilders Group Ltd. ("KBA") (53% owned) - KBA deals in holding land reserves and upgrading and selling them.
6. Clal Biotechnology Industries Ltd. ("CBI"), (67% owned) - CBI operates in the biotechnological field by investing in life science companies and ventures that are mostly in research and clinical trial stages.
7. Netvision Ltd. ("Netvision") (25% owned) - Netvision, a main supplier of communication services in Israel, is mainly engaged in providing internet connectivity services, international telephony services and managed services (equipment and communication network endpoint and domestic telephony services).
8. Fundtech Ltd. ("Fundtech") (56% owned) - Fundtech develops, markets and supports software programs that are used by financial institutions.

The segment results detailed below include the various items of profit and loss of the segment companies less the other segment and represent the Company's share in the net income (loss) of

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

the segment companies. The segment expenses include the amortization of excess costs by the Company in respect of its investment in the segment companies.

Information regarding the assets and liabilities of the segment companies as detailed below includes their total assets based on their financial statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOTE 4:- OPERATING SEGMENTS (Cont.)

b. Information of operating segments:

	Cement	Taavura	Hadera Paper	Golf	KBA	Fundtech Unaudited	CBI	Netvision	Other	Adjusted amounts	Total
	NIS in millions										
Three months ended March 31, 2009:											
Segment revenues:											
Revenues from external factors	400	508	261	174	4	106	51	311	562	(1,246)	1,131
Inter-segment revenues	-	8	-	-	-	-	-	-	2	(10)	-
	<u>400</u>	<u>516</u>	<u>261</u>	<u>174</u>	<u>4</u>	<u>106</u>	<u>51</u>	<u>311</u>	<u>564</u>	<u>(1,256)</u>	<u>1,131</u>
Net income	<u>48</u>	<u>25</u>	<u>19</u>	<u>38</u>	<u>3</u>	<u>(13)</u>	<u>24</u>	<u>24</u>	<u>(7)</u>	<u>(37)</u>	<u>124</u>
Attributable to:											
Equity holders of the Company	36	8	7	32	1	(7)	16	-	1	7	101
Others	12	17	12	6	2	(6)	8	24	(8)	(44)	23
	<u>48</u>	<u>25</u>	<u>19</u>	<u>38</u>	<u>3</u>	<u>(13)</u>	<u>24</u>	<u>24</u>	<u>(7)</u>	<u>(37)</u>	<u>124</u>
Three months ended March 31, 2008:											
Segment revenues:											
Revenues from external factors	381	508	159	166	126	103	-	309	605	(1,319)	1,038
Inter-segment revenues	-	11	-	-	-	-	-	-	2	(13)	-
	<u>381</u>	<u>519</u>	<u>159</u>	<u>166</u>	<u>126</u>	<u>103</u>	<u>-</u>	<u>309</u>	<u>607</u>	<u>(1,332)</u>	<u>1,038</u>
Net income	<u>47</u>	<u>33</u>	<u>21</u>	<u>20</u>	<u>75</u>	<u>1</u>	<u>(28)</u>	<u>22</u>	<u>(38)</u>	<u>(100)</u>	<u>53</u>
Attributable to:											
Equity holders of the Company	35	12	8	15	39	-	(18)	2	(26)	(59)	8
Others	12	21	13	5	36	1	(10)	20	(12)	(41)	45
	<u>47</u>	<u>33</u>	<u>21</u>	<u>20</u>	<u>75</u>	<u>1</u>	<u>(28)</u>	<u>22</u>	<u>(38)</u>	<u>(100)</u>	<u>53</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- OPERATING SEGMENTS (Cont.)

	<u>Cement</u>	<u>Taavura</u>	<u>Hadera Paper</u>	<u>Golf</u>	<u>KBA</u>	<u>Fundtech Audited</u>	<u>CBI</u>	<u>Netvision</u>	<u>Other</u>	<u>Adjusted amounts</u>	<u>Total</u>
	<u>NIS in millions</u>										
Year ended December 31, 2008:											
Segment revenues:											
Revenues from external factors	1,585	2,348	741	715	242	441	12	1,246	2,498	(5,449)	4,379
Inter-segment revenues	-	54	-	-	-	-	-	-	8	(62)	-
	<u>1,585</u>	<u>2,402</u>	<u>741</u>	<u>715</u>	<u>242</u>	<u>441</u>	<u>12</u>	<u>1,246</u>	<u>2,506</u>	<u>(5,511)</u>	<u>4,379</u>
Net income	<u>182</u>	<u>89</u>	<u>68</u>	<u>102</u>	<u>140</u>	<u>(15)</u>	<u>(93)</u>	<u>67</u>	<u>(160)</u>	<u>(247)</u>	<u>133</u>
Attributable to:											
Equity holders of the Company	137	28	27	77	71	(11)	(56)	1	(80)	(168)	26
Minority interests	45	61	41	25	69	(4)	(37)	66	(80)	(79)	107
	<u>182</u>	<u>89</u>	<u>68</u>	<u>102</u>	<u>140</u>	<u>(15)</u>	<u>(93)</u>	<u>67</u>	<u>(160)</u>	<u>(247)</u>	<u>133</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOTE 4:- OPERATING SEGMENTS (Cont.)

	<u>Cement</u>	<u>Taavura</u>	<u>Hadera Paper</u>	<u>Golf</u>	<u>KBA</u>	<u>Fundtech</u>	<u>CBI</u>	<u>Netvision</u>	<u>Other</u>	<u>Adjusted amounts</u>	<u>Total</u>
	NIS in millions										
At March 31, 2009 (unaudited):											
Segment assets:											
Assets	2,737	2,518	2,007	394	65	783	454	1,683	2,791	(5,472)	7,960
Inter-segment assets	-	6	-	-	-	-	-	-	3	(9)	-
<u>Total assets</u>	<u>2,737</u>	<u>2,524</u>	<u>2,007</u>	<u>394</u>	<u>65</u>	<u>783</u>	<u>454</u>	<u>1,683</u>	<u>2,794</u>	<u>(5,481)</u>	<u>7,960</u>
At March 31, 2008 (unaudited):											
Segment assets:											
Assets	2,755	2,371	1,326	378	203	564	441	1,555	2,903	(4,976)	7,520
Inter-segment assets	-	6	-	-	-	-	-	-	4	(10)	-
<u>Total assets</u>	<u>2,755</u>	<u>2,377</u>	<u>1,326</u>	<u>378</u>	<u>203</u>	<u>564</u>	<u>441</u>	<u>1,555</u>	<u>2,907</u>	<u>(4,986)</u>	<u>7,520</u>
At December 31, 2008 (audited):											
Segment assets:											
Assets	2,815	2,650	2,063	380	77	735	426	1,682	2,827	(5,640)	8,015
Inter-segment assets	-	6	-	-	-	-	-	-	3	(9)	-
<u>Total assets</u>	<u>2,815</u>	<u>2,656</u>	<u>2,063</u>	<u>380</u>	<u>77</u>	<u>735</u>	<u>426</u>	<u>1,682</u>	<u>2,830</u>	<u>(5,649)</u>	<u>8,015</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- CONTINGENT LIABILITIES

a. General:

The amounts of the claims mentioned below are true as of the date of their filing, unless stated otherwise.

As for contingent liabilities and claims against investees of the Company that are pending as of the date of the approval of the annual financial statements, see Note 24b to the annual financial statements.

b. Contingent liabilities incurred and claims filed and developments therein in and subsequent to the reported period:

1. Netvision Ltd. ("Netvision"):

In furtherance to the matter discussed in Note 24b(d)(2) to the annual financial statements regarding a claim filed on February 24, 2009 against Netvision in which the petitioner alleges that Netvision had misled him in subscribing him to a certain special price per call minute which was lower than the rate actually charged for the call minute, after studying the case, Netvision's legal counsel believes that at this stage, the chances that the claim will be approved as a class action do not exceed its chances of being dismissed and therefore, Netvision did not include any provision in its respect in its financial statements.

2. Kitan Textile Industries Ltd. ("Kitan"):

On April 30, 2008, a claim and motion for approving a class action was filed against Kitan, a wholly owned investee of the Company, pursuant to the Class Action Law ("the claim").

The claim consists of arguments pertaining to failure to comply with the standard of emissions of pollutants into the air at the Kitan plant located in Dimona ("the non-compliance"). The plaintiffs have asked the Court for monetary compensation for the damage caused to the autonomy of the will and exposure to health risks and have also asked that Kitan place a fund for medical surveillance.

The plaintiffs estimate the damage caused to the people of Dimona as a result of the non-compliance up to the date of filing the claim at approximately NIS 234 million.

A pre-trial hearing in the motion was scheduled for June 17, 2009.

According to Kitan's legal advisors, given the preliminary stage of the proceeding, the chances of the claim to prevail cannot be assessed and therefore, no provision was included in the financial statements in its respect.

NOTE 6:- SUBSEQUENT EVENT

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Shelf prospectus:

On April 5, 2009, the Company filed with the Israel Securities Authority an initial prospectus draft based on the Company's financial statements as of December 31, 2008 for offering the Company's securities in a shelf prospectus.

EXECUTIVE SUMMARY AS OF MARCH 31, 2009

**DETAILS OF INVESTMENTS (*) OF THE COMPANY AND ITS WHOLLY OWNED
HEADQUARTER COMPANIES AS OF MARCH 31, 2009**

Listed companies	Ownership	Amount of investment in NIS in millions
Hadera Paper Ltd.	38%	304
Golf & Co. Group Ltd.	73%	182
Netvision Ltd.	25%	298
Fundtech Ltd.	57%	348
Clal Biotechnology Industries Ltd.	67%	164
Beit Shemesh Engines Holdings (1997) Ltd.	36%	42
Nova Measuring Instruments Ltd.	21%	19
ECTel Ltd.	17%	26
		<hr/> 1,383 <hr/>
<u>Private companies</u>		
Mashav Initiating and Development Ltd.	75%	850
Kitan Textile Industries Ltd.	100%	79
Arcadian Networks Inc.	12%	75
Jaf-Ora Ltd.	30%	111
F.B.R. Infinity Ventures (Israel) L.P.	39%	89
KBA Townbuilders Group Ltd.	53%	14
Cargal Ltd.	26%	77
Clal Venture Capital Fund - Limited Partnership	67%	24
Millennium Materials Technologies Fund II L.P.	13%	12
Med 1 IC 1 (1999) Ltd.	31%	9
Infinity I - China Fund (Israel 2), L.P.	12%	22
Clal Energy Limited Patnrship	100%	14
FBR Infinity II China	22%	7
Other private companies		19
		<hr/> 1,402 <hr/>
		2,785
Less investments in subsidiaries		(1,675)
With the addition of investments of subsidiaries		<hr/> 107 <hr/>
Investments in associates and available-for-sale financial assets		<hr/> <hr/> 1,217 <hr/> <hr/>

(*) Investments include investments in investees and investments in available-for-sale financial assets. The list of investments includes investments (including investments in share capital and extended loans) whose amount in the books exceeds NIS 5 million.
