



Management Discussion as of March 31, 2010

A. Board of Directors' Report Regarding the State of the Corporation

1. Company Description

A. General

The Board of Directors of Clal Industries and Investments Ltd. ("The Company" and/or "CII") is hereby pleased to present the Directors' Report as of March 31, 2010, reviewing the principal changes in the Company's activities in the months January through March 2010 ("The Reported Period"). The report was formulated in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970, based on the assumption that the reader is also in possession of the full Periodic Report of the company as at December 31, 2009 ("Annual Financial Statements"). The results of the company that are presented in the management discussion relate to the share of the shareholders of the company in the results, unless stated otherwise.

CII 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 CII Group consists of investees that operate primarily in the fields of traditional industry, commerce and technology. CII is engaged, directly and through its investees, in the establishment, acquisition, development and amelioration of its portfolio companies. CII strives to be involved in the management and steering of its investee companies, primarily when the Company possesses significant holdings in these companies. CII strives to enhance and maximize the value of its existing investments, with a view to realizing those investments at the appropriate time. CII has access to a variety of business opportunities, being constantly on the lookout for investments with a suitable potential return, in those sectors where it possesses experience and knowledge.

The Company's activities are conducted through subsidiaries (companies in which the Group holds more than 50% of the rights, either directly or indirectly, including potential rights), proportionally consolidated companies (companies in respect of which the Group has contractual arrangements with other entities for joint control), associated companies (companies in which the Group exercises significant influence and which are included 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 financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

B. Objectives

The Company's principal objectives are:

- Improve business performance in order to achieve maximum return on capital over time, while constantly analyzing the economic alternatives and opportunities.
- Continue focusing the Company as a holding company that centralizes holdings in the following sectors: Basic industry, high-tech and biotechnology, logistics, communication services, energy, consumer products and infrastructures.

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



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- Focus on a limited number of material holdings possessing sustainable growth potential, wherein the Company can exert a significant influence while exploring new sectors of operation that meet these criteria;
- Continue to examine investment opportunities in leading companies, including investees.
- Exploit opportunities in relevant markets in order to realize investments.
- Continue to search for opportunities to expose and create value in investees.
- Intensify international operations, including those of investees. In this framework, the Company is examining a wide range of investment and cooperation proposals in the various 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.
- Occasional outsourcing of the management of certain activities, while exercising appropriate controls.
- Contributing and assisting the community in Israel.

C. Profit Characteristics

The Company's net income consists of and is primarily affected by its holdings in its investee companies, as well as the following components:

- Equity in earnings of investees, net.
- Net gains from the realization 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 revenues from management fees.

The Company's profits are liable to fluctuate considerably between different reporting periods, mainly due to the timing of the realization 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 volume 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, primarily the U.S. dollar, during the reported period.

D. The Situation in Real and Financial Markets in Israel and Worldwide and its Impact on the Company

The global financial crisis and the slowdown in real-term economic activity that began in 2008 and grew more severe in early 2009, which led to a recession in numerous countries in the West, moderated somewhat throughout 2009, as the financial and real markets gradually returned to stability. A gradual global trend of recovery in real economic activity started in the second half of 2009, as different economies, including that of the United States, stabilized and even resumed growth. The global recovery is attributed to a great degree to a combination of fiscal expansionary programs, coupled with continuing expansionary monetary policy that was led by the US administration, and contributed, inter alia, to positive sentiments in capital markets and an improvement in the stability of international financial institutions.

This trend of economic recovery continued in the first quarter of 2010 in most financial and real markets. Nevertheless, the financial crisis and its implications continue to have an impact, primarily on the euro bloc, that continues to be plagued by economic instability. The indications of the crisis and its implications are causing significant fluctuations in financial markets, including the prices of securities, bonds and currency exchange rates, coupled with a continuing credit shortage among certain firms. Certain countries continue to be plagued by considerable economic uncertainty.



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The Israeli economy and the Israeli capital market were characterized by trends that were similar to the global trends during the said period, although it would appear that the signs of recovery in the Israeli economy are more distinct. Starting in the second quarter of 2009, the trend of recovery that was observed in most segments of the Israeli economy gathered speed, as the Israeli capital market recorded a significant bullish run in the prices of marketable securities, while the corporate debt market also began to recover, as the business sector began once again to raise funds.

As at the date of the report, it is impossible to estimate whether the said crisis in the financial markets has indeed run its course, what are its direct and indirect economic implications globally and in Israel, and how long such implications will last, if at all.

The indications of the said crisis, including the latest developments in the euro bloc, as mentioned above, have and will continue to affect 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 the financing terms.

E. Hodak Committee

In February 2010, the committee for determining parameters for institutional entities that provide credit by acquiring nongovernment bonds ("The Committee"), that was appointed by Supervisor of the Capital Market Insurance and Savings at the Ministry of Finance ("The Supervisor"), published a final report of its findings and recommendations. The report includes recommendations regarding the regulatory involvement of the Supervisor in establishing internal processes at an institutional entity prior to investing in bonds, recommendations regarding directives that must be included in the bond documents as a precondition for investment by institutional entities, recommendations regarding obligations of institutional entities to determine a policy regarding the rights for immediate repayment that will be included in the bonds, recommendations regarding the information that is necessary for an institutional entity to analyze a potential investment in bonds and to regularly monitor such bonds, as well as recommendations regarding creating mechanisms for cooperation between institutional entities in certain aspects related to investment in bonds. In April 2010, that Supervisor published a draft memo implementing the recommendations included in the final report of the Committee.

There is no certainty as to which of the recommendations of the Committee will be adopted and in which format they will be adopted. In the event that the recommendations are adopted as they appear in the report of the Committee, this may hold implications on the ability to raise capital from institutional entities by way of bonds, including the terms and the price of raising such capital.

F. Israel Joining the OECD

In May 2010 Israel was invited to join the OECD (Organization for Economic Cooperation and Development), a forum of countries committed to democracy and free-market economics, serving as a platform formulate policy and actual practice in economics, society and the environment. Membership in the OECD serves as an indication that Israel is meeting the economic and regulatory standards set by the organization. Moreover, Israel's membership in the OECD may have an influence on foreign investors who are considering an investment in Israel and may also serve to impact the credit rating of the State of Israel.



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G. The Group's principal sectors of operation are as follows¹:

1. **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% ownership). The presented segment data are the data of Mashav on a consolidated basis, less the data of Taavura Holdings Ltd.
2. **Taavura Holdings Ltd.** ("Taavura") (37.5% ownership) - Taavura's holdings include, inter alia, include Maman Cargo Terminals and Handling Ltd. ("Maman") (77% held by Taavura). Taavura provides transport, infrastructure and logistic services and deals in the import and marketing of trucks, buses, heavy equipment and cranes and in the import and sale of automobiles in Europe, in addition to providing other services.
3. **Hadera Paper Ltd.** ("Hadera Paper") (59% ownership) - Hadera Paper is primarily active in the manufacture and marketing packaging paper, collecting and recycling paper, manufacture and marketing of packaging and cardboard products, household paper products, disposable diapers, products for house and kitchen cleaning and fine paper. Hadera Paper also holds Hogla Kimberly Ltd. (49.9% ownership) and Mondi Hadera Paper Ltd. (49.9% ownership).
4. **Golf & Co. Group Ltd.** ("Golf") (64% ownership). Golf deals primarily in the marketing and sale of fashion and clothing, textile and home design products.
5. **Fundtech Ltd.** ("Fundtech") (58% ownership). Fundtech deals in the development and marketing of software programs that are used by financial institutions and provides related support services.
6. **Clal Biotechnology Industries Ltd.** ("CBI") (63% ownership)². CBI operates in the life sciences sector by investing in biotechnology companies and ventures, mostly in the research and clinical trial stages. CBI's holdings include, inter alia, Mediwound Ltd. (56% ownership), D-Pharm Ltd. ("D-Pharm") (47% ownership), Curetech Ltd. (39% ownership). Through Clal Venture Capital Fund, 22% ownership), the company also owns Andromeda Biotech Ltd. (90% ownership) and Poliheal Ltd. (41% ownership).
7. **Netvision Ltd.** ("Netvision") (31% ownership). Netvision is a leading supplier of communication services in Israel and operates mainly as an Internet Service Provider (ISP), while also providing international long-distance telephony services and managed services (equipment and communication network endpoint services and domestic telephony services).
8. **Other sectors of operation** - Operations in this segment include, inter alia, Cargal Ltd. (26% ownership), Jaf-Ora Ltd. (30% ownership), Beit Shemesh Engines Holdings (1997) Ltd. (36% ownership), Clal Energy Limited Partnership (100% ownership), Clal Motors Ltd. (100% ownership), Kitan Textile Industries Ltd. (100% ownership), F.B.R. Infinity Israel II Fund (39% ownership) and Infinity I-China (Israel 2) Fund, L.P. (9% ownership). KBA Townbuilders Group Ltd. ("KBA") (53% ownership).
The Group's activities are affected by numerous external factors (see Section 7 to part A - Description of the Company's Business as of December 31, 2009).

¹ The ownership interests in the companies appear as of March 31, 2010. Percentage shareholdings in this report have been rounded to the nearest whole number, unless otherwise indicated or unless fractional digits are provided after the decimal point.

² Subsequent to the balance sheet date, following the closing of the Biomedical transaction, the company's holding percentage in CBI has decreased to 61%. See section 3d2, below.



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2. Results of Operations

a. Statements of Income

The total net income attributable to the Company's shareholders and to minority interests in the reported period amounted to NIS 101 million, as compared with net income of NIS 132 million in the corresponding period last year and net income of NIS 567 million in all of 2009.

The net income attributable to the Company's shareholders in the reported period amounted to NIS 85 million, as compared with net income of NIS 107 million in the corresponding period last year and net income of NIS 450 million in all of 2009.

Current income during the reported period amounted to NIS 58 million (see Section 2c, below), as compared with income of NIS 81 million the corresponding period last year. The current contribution of the sectors during the reported period amounted to NIS 71 million, as compared with NIS 74 million for the corresponding period last year. This decrease was also affected by an increase in financing, had quarter and other expenses, amounting to NIS 13 million, as compared with revenues of NIS 7 million in the corresponding period last year. Most of the increase in expenses is attributed to a rise in financing expenses as a result of positive influences that serve to decrease the financing expenses in the corresponding quarter last year, due to a devaluation of the NIS exchange rate against the US dollar, coupled with a bullish capital market.

During the reported period, earnings from the realization of investments, adjustment of the value of investments and other net non-recurring influences amounted to NIS 27 million and consists primarily of earnings in the sum of NIS 18 million as a result of the decrease in the holding percentage of Nova and the sale of Nova shares, in addition to earnings of NIS 29 million on account of the revaluation of the balance of the investment in Nova to fair value, net of a loss of NIS 17 million on account of a provision for impairment at Arcadian. The earnings during the corresponding period last year originating from the realization of investments, adjustment of the value of investments and other net non-recurring influences amounted to NIS 26 million and consisted primarily of earnings from the expiry of options on Golf shares in the amount of NIS 14 million and earnings from the decrease in the holding percentage of Andromeda in the amount of NIS 8 million.

Basic net earnings per share in the reported period totaled NIS 0.54, as compared with net earnings of NIS 0.68 in the corresponding period last year and net earnings of NIS 2.86 for all of 2009. The diluted net earnings per share in the reported period totaled NIS 0.53, as compared with net earnings of NIS 0.61 in the corresponding period last year and net earnings of NIS 2.75 for all of 2009.



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b. Data of principal investees and their contribution to earnings

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

<u>Revenues</u>			
	For the three months ended March 31		For the Year Ended December 31
	2010	2009	2009
Companies that prepare financial statements in NIS (in NIS millions)			
Mashav (excluding Taavura)	377	364	1,508
Taavura	539	512	2,079
Hadera Paper	240	230	892
Golf	166	151	666
CBI	13	58	183
Netvision	314	306	1,250
Companies that prepare financial statements in dollars (in US\$ millions)			
Fundtech ⁴	33.4	26.1	117.8

<u>Net Profit (Loss)</u>			
	For the three months ended March 31		For the Year Ended December 31
	2010	2009	2009
Companies that prepare financial statements in NIS (in NIS millions)			
Mashav (excluding Taavura)	59	48	284
Taavura	28	22	122
Hadera Paper	24	19	91
Golf	24	24	88
CBI	(24)	32	65
Netvision	20	29	106
Companies that prepare financial statements in dollars (in US\$ millions)			
Fundtech ⁴	1.4	(0.9)	4.7

³ The presented data refer to the results of the investees as presented in their respective financial statements, while 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 consolidates the results of Fundtech according to IFRS.



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

	Three months ended March 31, 2010			Three months ended March 31, 2009		
	Current ⁵	Other ⁶	Total	Current ⁵	Other ⁶	Total
Sectors of operation						
Cement	51	(7)	44	39	(3)	36
Taavura	10	-	10	8	-	8
Hadera Paper	11	-	11	1	6	7
Golf	17	-	17	18	14	32
Fundtech	2	-	2	(7)	-	(7)
CBI	(19)	2	(17)	13	9	22
Netvision	4	1	5	-	-	-
Others	(5)	18	13	2	-	2
Total segment contributions	71	14	85	74	26	100
Financing and headquarters	(13)	13	-	7	-	7
Net Income	58	27	85	81	26	107

	Year ended December 31, 2009		
	Current ⁵	Other ⁶	Total
Sectors of operation			
Cement	209	19	228
Taavura	27	15	42
Hadera Paper	18	121	139
Golf	63	33	96
Fundtech	(2)	12	10
CBI	(21)	70	49
Netvision	9	1	10
Others	31	(15)	16
Total segment contributions	334	256	590
Financing and headquarters	(129)	(11)	(140)
Net Income	205	245	450

⁵ Contribution to the company's net income does not include: Earnings from realization of investments, write-offs (except the original differences) and non-Recurring influences at the company on account of its investment in an investee.

⁶ Including results from the realization of investments, adjustment of the value of investments and non-recurring influences (at both investee companies and at the company on account of its investment in the segment)



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1. Cement sector -**A. Review of the cement sector:**

The net income in the reported period amounted to NIS 44 million, as compared with net income of NIS 36 million in the corresponding period last year. The increase in net income during the reported period as compared with the corresponding period last year, originates primarily from an increase in the current income of the cement sector.

B. Review of the condensed operating results of the cement companies:

Revenues during the reported period amounted to NIS 377 million, as compared with NIS 364 million in the corresponding quarter last year (growth of approximately 4%), primarily due to a quantitative increase in sales to the domestic market and to the Palestinian Authority.

The net income for the quarter amounted to NIS 59 million, as compared with a net income of NIS 48 million in the corresponding quarter last year.

The change in net income during this quarter in relation to last year is primarily attributed to the fact that the current quarter was characterized by the operation of the manufacturing network at full capacity (other than a seasonal refurbishment), as compared with the corresponding quarter last year when the company prepared itself for a decrease in operations as a result of the crisis and shut down part of the manufacturing network, while consuming costly inventories.

2. Taavura -**A. Review of the Taavura segment**

The net income in the reported period amounted to NIS 10 million, as compared with net income of NIS 8 million in the corresponding period last year.

B. Review of the condensed operating results of Taavura:

Revenues in the reported period totaled NIS 539 million, as compared with NIS 512 million in the corresponding period last year. The increase is attributed to growth in several operations and primarily in the sale of trucks, public transport, shuttles and earthwork, coupled with the revenues of a subsidiary consolidated for the first time, net of a decrease in the sale of vehicles and in several other operations.

Operating income in the reported period totaled NIS 53 million, as compared with operating income of NIS 49 million in the corresponding period last year. Most of this increase is attributed to earnings of the truck sale operations, coupled with the public transport and shuttle operations, net of lower profitability from the sale of vehicles and a considerable increase in the price of diesel.

Net income in the reported period totaled NIS 28 million, as compared with net income of NIS 22 million in the corresponding period last year. The increase in net income during the reported period, in relation to the corresponding period last year, is primarily attributed to growth in the operating income - as mentioned above - coupled with a decrease in the net financing expenses.



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3. Hadera Paper -**A. Review of the Hadera Paper segment**

The net income in the reported period amounted to NIS 11 million, as compared with net income of NIS 7 million in the corresponding period last year. The increase in net income during the reported period, as compared with the corresponding period last year is attributed to a rise in current income and an increase in the percentage of holdings of the company in Hadera Paper, net of a current write-off of original differences on account of the CII investment in Hadera Paper and net of non-recurring revenues of NIS 6 million last year on account of unilateral dividend.

b. Review of the condensed operating results of Hadera Paper

Sales in the reported period totaled NIS 240 million, as compared with NIS 230 million in the corresponding period last year (a 4% increase). Most of the increase is attributed to an increase in the sales of the packaging paper and recycling sectors, in light of higher prices, coupled with an increase in sales in the office supplies marketing sector, that is primarily attributed to having secured institutional tenders that served to expand the number of customers in this sector, net of a decrease in sales of packaging and cardboard products, that is primarily attributed to the competitive situation in the sector and to customer retention processes that are being implemented by the sector.

The operating income for the reported period amounted to NIS 7 million, as compared with NIS 19 million in the corresponding period last year. Net of non-recurring revenues in the amount of NIS 16 million last year, on account of unilateral dividend, the operating income in the corresponding period last year amounted to NIS 2 million. The increase in operating income during the reported period is primarily attributed to the increase in gross profit as a result of the increase in sales, as mentioned above.

Net income in the reported period totaled NIS 24 million, as compared with net income of NIS 19 million in the corresponding period last year.

4. Golf -**A. Review of the Golf segment:**

The net income in the reported period amounted to NIS 17 million, as compared with net income of NIS 32 million in the corresponding period last year. The decrease in net income during the reported period, as compared with the corresponding period last year, is primarily attributed to earnings of NIS 14 million in the corresponding period last year, as a result of the expiry of the outstanding Series 1 Golf options.

B. Review of the condensed operating results of Golf:

The revenues in the reported period amounted to NIS 166 million, as compared with NIS 151 million in the corresponding period last year, representing an increase of approximately 10%. The increase in sales during the reported period, as compared with the corresponding period last year, is primarily attributed to the earlier sales preceding the Passover holiday, that occurred mostly in the first quarter this year, as compared with the second quarter last year.

The gross profit during the reported period amounted to approximately NIS 102 million, representing approximately 62% of sales, as compared with gross profit of approximately NIS 91 million, representing approximately 61% of sales in the corresponding period last year. The higher gross margin during the reported period as compared with the corresponding period last year originated primarily from a lower level of offered discounts, as a result of growth in the relative proportion of the new



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collection out of total sales, due to the earlier occurrence of the Passover holiday, coupled with a decrease in the dollar and euro exchange rates.

Income from ordinary operations in the reported period totaled NIS 30 million, as compared with operating income of NIS 24 million in the corresponding period last year. The higher operating income this year in relation to the corresponding quarter last year, is primarily attributed to the rise in sales, that came together with the improvement in the gross margin to bring about a higher gross profit. This was partially offset by the rise in selling expenses and in store operating expenses, as a result of the rise in the volume of operations and the higher price of inputs.

Golf's net financing revenues during the reported period amounted to approximately NIS 2 million, as compared with net financing revenues of approximately NIS 8 million during the corresponding period last year. Most of the decrease is attributed to the influence of future transactions that Golf occasionally conducts in order to hedge its liabilities toward suppliers that are denominated in foreign currency (primarily US dollars).

Golf's net income during the reported period amounted to approximately NIS 24 million and was similar to the corresponding period last year.

5. **Fundtech**

A. Review of the Fundtech segment:

The net income in the reported period amounted to NIS 2 million, as compared with a net loss of NIS 7 million in the corresponding period last year. The transition from a loss in the first quarter of 2009 will profit during the reported period is attributed to arise in the current income of Fundtech, coupled with a decrease in the current write-off of original differences on account of the Company's investment in Fundtech.

B. Review of the condensed operating results of Fundtech:

Revenues in the reported period totaled \$33.4 million, as compared with \$26.1 million in the corresponding period last year, representing an increase of 28%. The increase in revenues is attributed to a certain recovery in the global economy, as mentioned in Section 1, above.

The operating income in the reported period amounted to \$2.3 million, as compared with an operating loss of \$0.2 million in the corresponding period last year. The increase in the operating income is primarily attributed to the rise in revenues, as mentioned above.

The net income in the reported period amounted to \$1.4 million, as compared with a loss of \$0.9 million in the corresponding period last year. The rise in the net income is primarily attributed to the rise in operating income, as mentioned above.

6. **CBI –**

A. Review of the CBI segment:

The net loss in the reported period totaled NIS 17 million, as compared with net income of NIS 22 million in the corresponding period last year. The net income in the corresponding period last year included non-recurring earnings of NIS 9 million as a result of the partial exercise of a Teva investment option in Andromeda, coupled with revenues from the rise in value of derivative financial instruments (approximately NIS 20 million), related to the CBI investment in Andromeda.



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B. Review of the condensed operating results of CBI:

The loss in the reported period amounts to NIS 24 million, as compared with earnings of NIS 32 million in the corresponding period last year. The transition from earnings in the corresponding period last year to a loss during the reported period is primarily attributed to: (a) Decrease in earnings from change in value of derivative financial instruments (NIS 28 million), last year, especially instruments related to the CBI investment in Andromeda; (b) Transition from net financing revenues to expenses (NIS 19 million) (in the corresponding quarter last year, 10% increase in the exchange rate of the dollar as compared with a decrease of 2% in the reported period); and (c) Decrease in earnings from realization of assets (NIS 4 million).

The CBI share in the losses of investee companies grew by NIS 4 million in relation to the corresponding period last year, primarily due to the transition to a loss at D-Pharm (NIS 11 million), in the corresponding quarter last year profit was included from the decrease in the value of options to investors, an increase in the losses of Curetech (NIS 1 million) and net of the losses of Andromeda (NIS 8 million), in the corresponding quarter last year and expenditure was included on account of the registration for the first time of a liability toward the Chief Scientist.

7. Netvision -**A. Review of the Netvision segment:**

The net income in the reported period amounted to NIS 5 million, as compared with net income of NIS 0 million in the corresponding period last year. The rise in net income originates primarily from a decrease in the current write-off of original differences on account of the CII investment in Netvision, coupled with an increase in the holding percentage of the Company in Netvision.

B. Review of the condensed operating results of Netvision:

The revenues in the reported period amounted to NIS 314 million, as compared with NIS 306 million the corresponding period last year, representing an increase of approximately 3%, originating from an increase in revenues from ISP operations. Most of the growth in the ISP operations is attributed to the sale of information security products, growth in Internet operations and value added services sold to customers and the consolidation for the first time of the financial statements of Rimon Israel 2009 Ltd., net of a decrease in the sales of the telephony sector during the reported period, originating primarily as a result of a decrease in the number of minutes, that is explained by a general decrease in the volume of minutes in the market, coupled with a decrease in the market share of Netvision as compared with its market share in 2009. The sales in the telephony sector were also affected by the 9.5% decrease in the dollar exchange rate, in relation to the corresponding quarter last year and the decrease in the sale and maintenance of switchboards.

Income from operations for the reported period amounted to NIS 29 million, as compared with NIS 44 million in the corresponding period last year. The decrease in the income from operations in relation to the corresponding period last year originates primarily from a decrease in the income from operations of the telephony sector as a result of Netvision's entry into the home telephony sector, that led to an operating loss of approximately NIS 7 million as compared with an operating loss of approximately NIS 1 million in the corresponding period last year, coupled with the fact that in the corresponding quarter last year a non-recurring decrease of NIS 7 million was recorded in communication expenses that were recorded previously to the credit of Bezeq on account of a commission for the use of card-operated public payphones.



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Netvision's net income in the reported period amounted to NIS 20 million, as compared with net income of NIS 29 million in the corresponding period last year. The decrease in net income is attributed to the decrease in operating income, as explained above.

3. Principal Changes in Investments and in Investee Companies

A. Maman

In February 2010, Maman entered into a framework agreement with El Al Israel Airways Ltd. ("El Al"), that is a major customer of Maman in the cargo terminal operations, pursuant to which Maman would provide El Al with discounts during the contractual agreement, off the regular rates, on the terminal services provided to El Al cargos at the terminal. Pursuant to the framework agreement, Maman has undertaken to allocate to El Al, subject to obtaining the requisite approvals, shares of Maman, which will be allocated in tranches, at a cumulative rate of up to 15% of the fully-diluted issued share capital of Maman, as well as non-marketable options to acquire shares of Maman, approximating 10% of the fully-diluted issued share capital of Maman, and exercisable, under varying conditions, over the course of six years.

For additional details, see Note 3a1, to the Company's financial statements as of March 31, 2010.

B. Hadera Paper Ltd.

1. Proforma data

See Note 3a2a to the Company's financial statements as of March 31, 2010, regarding the condensed pro forma statement of income, that were prepared in order to retroactively reflect the results of operations of Hadera Paper and its investee companies, under the assumption that the business combination of Hadera Paper, as mentioned in the above note, had already been made in the earliest period presented.

2. Fixed Assets

Given indications of impairment of the cash-generating unit Packaging Paper, as stated in Note 11h2c to the annual financial statements, Hadera Paper estimated the fair value of property plant and equipment items that are included in the packaging paper segment, based on an appraisal. In this capacity, the company found that the fair value of the fixed assets, net of the selling costs, is higher than the book value and in accordance with IAS36, no recognition is necessary of a loss on account of the impairment of the fixed assets.



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Appearing below is the information required in relation to the material valuation according to Section 8b of the Securities Regulations (Periodical and Immediate Reports), 1970:

Regulation No.	Information required by regulation
8b. (i)(1)	The subject of the valuation is the examination of the need for a provision for impairment on account of the packaging paper manufacturing network (hereinafter: "Machine 8"). The objective of this opinion is to determine the fair value of Machine 8.
8b. (i)(2)	The valuation is based on the value of the asset in the Hadera Paper books as of March 31, 2010.
8b. (i)(3) and (4)	The carrying value of the machine in the books of Hadera Paper plus projected completion and running-in costs as of March 31, 2010, is expected to amount up to NIS 580 million while the value of the machine based on the valuation as of March 31, 2010, amounts to NIS 770 million. In light of the value of the assessment, no provision for impairment in the value of the machine is required.
8b. (i)(5)	<p>Assessor identification: Berenfeld International Loss Adjusters Ltd. is a privately owned company with a private engineering and assessment firm.</p> <p>Specializing in industrial assessments for insurance companies, banks, liquidators, private companies, CPAs, lawyers, courts and more.</p> <p>The assessment was performed by Mr. Nahman Berenfeld, engineer and assessor, possessing over 30 years of experience in the examination and performance of similar projects. Mr. Nahman Berenfeld holds a BSc degree in mechanical engineering from Tel Aviv University.</p> <p>Mr. Nahman Berenfeld, engineer and assessor, has been working since 1964 as a mechanical engineer and weapon system designer for aircraft and ground-based vehicles, at the Ministry of Defense, and as an engineer in charge of analyzing the cost of aviation and land-based projects at Israel Military Industries.</p> <p>Within the capacity of Berenfeld International Loss Adjusters Ltd., Mr. Nahman Berenfeld has performed numerous evaluations with an emphasis on business oriented valuations for the purpose of establishing the value on behalf of multinational companies including Makhteshim-Agan, Metaltech, Tefron, Soda Club, Intel, Ormat, Elco and more.</p> <p>His expertise lies in the following industries: metal, chemical, semiconductors, energy installations, sewage treatment plants, paper and cardboard plants, high-tech companies, communications and biotechnology, power stations and more.</p> <p>Mr. Nahman Berenfeld serves as arbitrator on behalf of the courts and is a senior lecturer at the College of Insurance Studies, specializing in assessment, profit loss and risk management.</p> <p>In the past, Mr. Nahman Berenfeld performed a valuation for Hadera Paper in September 2009.</p> <p>The assessor has no dependence on the party ordering the valuation. As part of the engagement, a maximum limit was placed on the liability of the contractor, covering any damages whatsoever, other than damages caused as a result of negligence and/or malice and/or purposefully, equal to the amount of the fee paid on account of the engagement. The assessor was compensated by the ordering party for any sum owed to any third party following legal proceedings related to the preparation of this opinion and also on account of reasonable legal expenses, unless it is determined that he operated with respect to the opinion, with negligence and/or malice and/or</p>



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	purposefully.
8b. (i)(6)	The value of machinery and equipment is determined by an appraiser who specializes in this area, and who based his valuation on the comparative analysis method by comparing technical data/costs involved in the establishment of similar paper manufacturing projects to those of Machine 8.
8b. (i)(7)	The assumptions under which the appraiser performed the valuation: (a) Irrelevant (b) Irrelevant (c) Irrelevant (d) Irrelevant (e) Establishment of paper machines in Poland - value of the machine by comparison with Machine 8 172,500,000 euro (excluding building) Project for the construction of a machine technically similar to Machine 8, in South Africa. Value of the investment in the machine excluding the building: 196,000,000 euro. Proposal from VOITH for the provision of a paper manufacturing machine, approximately 122,800,000 euro. Total weighted fair value = €154,790,000 = approximately NIS 770 million. (f) Irrelevant

C. Golf

In the course of the first quarter of 2010, as a result of the exercise of all the Golf Series 2 options, the Company's holding percentage in Golf decreased to 64%. The company recorded an increase in shareholders' equity attributed to the company shareholders in the sum of NIS 15 million.

D. CBI

1) Andromeda Biotech Ltd. (hereinafter - Andromeda)

In February 2010, CBI invested \$2.6 million in Andromeda. Following the additional investment, CBI's stake in Andromeda increased to 90.5%. Subsequent to this investment, CBI completed its undertaking to invest in Andromeda, as stated in note 11h(4)(a) to the annual financial statements.

2) Biomedical Investments (1997) Ltd. ("Biomedical")

In February 2010, CBI entered into an agreement to acquire all of the rights to Biomedical in return for a cash payment of NIS 28 million, the allocation of 3 million ordinary shares of CBI ("The Allocated Shares") and the allocation of a non-marketable option to acquire 1,250,000 ordinary shares of CBI, under terms that are similar to the terms of the Series 3 options of CBI, that are traded on the stock exchange ("The Option Warrant"). The economic value of the proceeds paid under the said transaction, given the value of the securities allocated at the date the transaction was completed, totals NIS 95 million. The allocated shares and option warrants constituted, immediately after the allocation, 3.64% of the share capital of CBI on a fully diluted basis.

Subsequent to the said allotment the Company's holding percentage in CBI fell to 61% (52% on a fully diluted basis). As a result, in the second quarter of 2010 the Company is expected to record an NIS 32 million increase in the equity attributable to the shareholders of the Company.



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Biomedical is a private holding company that holds several life sciences and biotechnology companies, the principal ones being:

- A. Gamida Cell Ltd. is a leader in the development of stem cell therapy technologies and products. The therapies are based on expanded populations of umbilical cord blood stem cells. The flagship product, StemEx, is currently in advanced stages of clinical trials (Pivotal Phase III). Biomedical holds 20% of the issued and paid-up share capital and approximately 17% fully diluted.
- B. Transpharma Medical Ltd. ("Transpharma"), specializes in the development and commercialization of drug products utilizing a proprietary active transdermal drug delivery technology. Biomedical holds 6.0% of the issued and paid-up share capital of Transpharma (5.6% fully diluted).
- C. BioControl Medical (BCM) Ltd. is currently focused on the clinical development of the CardioFit™ System, intended to effectively treat heart failure (CHF) via vagus nerve stimulation.. Biomedical indirectly holds approximately 3.0% of the issued and paid-up share capital (2.7% fully diluted).

3) **Mediwound Ltd.**

As part of the analysis on the part of Mediwound Ltd. (a company in which CBI holds 56%) of the possibility of a business organization that would include adding complementary products to the company's flagship product (Debrase), discussions are being held regarding collaboration between Mediwound, Poliheal Ltd. (a company in which CBI holds 41%) and some of the shareholders of the said companies. In the event that a transaction takes place that would serve to lower the voting rights of CBI in Mediwound to below 50% (fully diluted) and in the event that subsequently, CBI would no longer consolidate the financial statements of Mediwound in its own consolidated financial statements, CBI would record gains in its financial statements based primarily on the fair value of the remaining investment in Mediwound subsequent to closing the said transaction. Although as at the date of this report, it is not possible to estimate the level or the date that such gains would be recorded, if at all, Mediwound estimates generally that the after-tax gains would range between NIS 220 million and NIS 340 million. Consequently, the company's share in the said gains, if and when such gains are recorded by CBI, may range between NIS 134 million and NIS 270 million.

4) **Curetech Ltd. (hereinafter – "Curetech")**

In January 2010, Teva invested an additional \$3 million in Curetech. The sum of the investment constitutes part of a total sum of \$10.5 million that are intended to allow Curetech to expand the development operations. Following the additional investment, the Company's holdings in Curetech decreased to 61%. As a result of the decline in the stake, there was an increase of NIS 4 million in the equity attributable to the shareholders of the Company.

E. **Nova Measuring Instruments Ltd. ("Nova")**

In February 2010, Nova conducted an IPO. The Company consequently included gains of NIS 7 million in the first quarter of 2010, due to a decrease in the holding rate.

In March 2010, in the course of trading on the stock exchange, the Company sold one million shares of Nova, constituting 4.2% of the issued and paid-up share capital of Nova, for a total consideration of \$5.1 million.

As a result of the sale, the Company recognized gains of NIS 11 million in the first quarter of 2010.



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In proximity to the above mentioned sale, the company exercised all of the cashless options it held for acquiring Nova shares. As a result, the Company received 336,000 shares of Nova.

As a result of the aforementioned transactions, the Company's stake in Nova decreased to 14% (12.7% on a fully diluted basis).

In light of the above, the company modified the accounting treatment of its investment in Nova, so that Nova now appears in its financial statements of the financial asset available-for-sale on the basis of fair value.

As a result of the change in accounting treatment, the Company recognized gains of NIS 29 million in the first quarter of 2010, on account of the revaluation of the balance of the investment in Nova to fair value.

For additional details, see Note 3a5, to the Company's financial statements as of March 31, 2010.

F. Arcadian Networks Inc. (hereinafter – "Arcadian")

During the first quarter of 2010, the Company included in its books a provision of NIS 17 million for impairment of its investment in Arcadian, a company in which the company holds 12%. The said provision is based on a valuation received by the Company from an independent external appraiser with respect to the fair value of the investment in Arcadian.

As of March 31, 2010, the Company's investment in Arcadian amounts to NIS 38 million.

4. The Financial Position and Financing Resources

- a. Total assets in the consolidated balance sheets of the Company as of March 31, 2010, amounted to NIS 11,245 million, as compared with NIS 11,279 million as of December 31, 2009.
- b. As of March 31, 2010, the Group's long-term external financing sources (less current maturities) amounted to NIS 3,958 million, as compared With NIS 4,072 million as of December 31, 2009.
As of March 31, 2010, the Group's short-term financing sources (including current maturities) amounted to NIS 846 million, as compared with NIS 898 million as of December 31, 2009.
- c. The Company's equity as of March 31, 2010, amounted to NIS 4,081 million, as compared with NIS 4,233 million as of December 31, 2009. Equity attributable to the shareholders of the Company amounted to NIS 2,332 million on March 31, 2010, as compared with NIS 2,425 million as of December 31, 2009.
The Company's equity as of March 31, 2010 represents a source for financing 36% of the Company's assets, as compared with 38% as of December 31, 2009.
- d. Working capital in the consolidated balance sheet, as of March 31, 2010, amounts to NIS 1,729 million, as compared with NIS 1,984 million as of December 31, 2009. As of March 31, 2010, total balances of liquid assets (cash and cash equivalents and short-term investments) amount to NIS 2,104 million, as compared with NIS 2,220 million as of December 31, 2009. The quick ratio in the consolidated statements is 1.36, as compared with 1.52 at December 31, 2009.
- e. The principal cash sources in the reported period were mainly derived from cash flows from operating activities of NIS 206 million, proceeds from the realization of investments in investee companies in the sum of NIS 32 million and the receipt of long-term loans and other liabilities of NIS 138 million. The cash sources served primarily



Management Discussion as of March 31, 2010

for investments in fixed assets and intangible assets in the total sum of NIS 125 million, in the acquisition of securities held for trade in the sum of NIS 56 million, interest payments and the repayment of long-term loans in the sum of NIS 304 million, dividend payments to the minority interests in the sum of NIS 38 million in the repayment of short-term credit from banks in the sum of NIS 57 million.

- f. The total balances of liquid assets (cash and cash equivalents and short-term investments) as of March 31, 2010, of the Company and its wholly owned headquarter companies amounted to NIS 650 million (December 31, 2009: NIS 686 million).
- g. As of March 31, 2010, the balance of liabilities, net, of the Company and its wholly-owned headquarter companies (mainly debentures) amounted to NIS 1,414 million (December 31, 2009: NIS 1,532 million).

5. Dividend

- a) On March 21, 2010, the Board of Directors of the Company decided to distribute a cash dividend of NIS 180 million, representing NIS 1.1430766 per each NIS 1 par value of shares. The dividend was distributed on April 13, 2010.
- b) On May 17, 2010, the Board of Directors of the Company decided to distribute a cash dividend of NIS 108 million, representing NIS 0.685846 per each NIS 1 par value of shares, to be distributed on June 15, 2010. The record date was set at May 30, 2010, while the ex-date was set at May 31, 2010.
- c) Following below are details regarding the examinations conducted by the Board of Directors pertaining to the decisions made regarding the said dividend distributions:
 - 1. The Board of Directors of the company analyzed the company's ability to meet the profit test and its ability to meet the regular repayment outlined in Section 302a of the Companies Law - 1999, and following this examination, it has confirmed that the company has met these tests, regarding the said dividend distributions.
 - 2. Regarding the company meeting the profit test - The Board of Directors approved the said distribution of dividend based on the net income accumulated for the shareholders of the company in the two years ended on December 31, 2009 and on March 31, 2010, respectively.
 - 3. Regarding the ability to meet the repayment test - The board of directors took into consideration the following matters: Information regarding the financial position of the company, including information regarding the company's liquid balances; the outstanding debts of the company and its net outstanding debt; the market value of the negotiable investments and the surplus liquid balances and negotiable investments over the company's net debt; the company's future expected cash flows, up to and including the years 2011 and 2012, respectively; the distribution of the company's debt payments; the additional sources of finance available to the company, including the receipt of dividends from investee companies, the realization of investments and the raising of funds; and the company's ability to meet the rating of its debentures. Following the analysis of the above points, the Board of Directors has confirmed that the company does indeed meet the repayment test with respect to the said dividend distribution, also under conservative scenarios pertaining to the expected future proceeds from dividends and from the realization of investments.



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4. The Board of Directors of the company estimates that the dividend distribution will not have a material adverse effect on the financial situation of the company, including its capital structure, the level of its leverage, the level of its liquidity and its ability to continue to operate in its existing form.

The expected data and the said estimates appearing in sections 3 and four above constitute forward-looking information as defined in the securities law - 1968, based on an analysis of the data appearing in section 3 above, conducted by the company. These expectations and estimates may not materialize - in whole or in part - or may materialize in a different manner than anticipated. The principal factors that may affect the data include changes in economic markets in Israel and worldwide, changes in capital market conditions, the inflation rate, exchange rates, various market conditions in which the investee companies of the company operates, political and security changes as well as regulatory changes - may all influence the operations of the company and its investee companies.

6. Summarized sensitivity analysis tables

For the complete tables, see Appendix A to the management discussion.

A. March 31, 2010

Instrument	Profit (loss) from change					Fair value as at Mar-31-10	Profit (loss) from change				
	Up 2% absolute	Up 10%	Up 5%	Up 2%	Up 1%		Down 1%	Down 2%	Down 5%	Down 10%	Down 2% absolute
Total sensitivity to changes in US dollar exchange rate	-	39	20	-	-	368	-	-	(20)	(39)	-
Total sensitivity to changes in euro exchange rate	-	3	1	-	-	(3)	-	-	(2)	(4)	-
Total sensitivity to changes in interest rates	272	61	31	-	-	(4,413)	-	-	(31)	(89)	(301)
Total sensitivity to changes in stock market rates	-	85	44	-	-	854	-	-	(43)	(86)	-
Total sensitivity to changes in Israeli CPI	-	-	-	(44)	(20)	(926)	20	44	-	-	-



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B. March 31, 2009

Instrument	Profit (loss) from change					Fair value as at Mar-31-09	Profit (loss) from change				
	Up 35%	Up 10%	Up 5%	Up 2%	Up 1%		Down 1%	Down 2%	Down 5%	Down 10%	Down 31%
Total sensitivity to changes in US dollar exchange rate	-	42	22	-	-	465	-	-	(22)	(42)	-
Total sensitivity to changes in euro exchange rate	-	(5)	(2)	-	-	(43)	-	-	2	5	-
Total sensitivity to changes in interest rates	-	63	32	-	-	(3,711)	-	-	(32)	(63)	-
Total sensitivity to changes in stock market rates	2	74	37	-	-	751	-	-	(37)	(74)	(2)
Total sensitivity to changes in Israeli CPI	-	-	-	(37)	(19)	(3,094)	19	37	-	-	-

C. December 31, 2009

Instrument	Profit (loss) from change					Fair value as at Dec-31-09	Profit (loss) from change				
	Up 2% absolute	Up 10%	Up 5%	Up 2%	Up 1%		Down 1%	Down 2%	Down 5%	Down 10%	Down 2% absolute
Total sensitivity to changes in US dollar exchange rate	-	23	10	-	-	197	-	-	(10)	(23)	-
Total sensitivity to changes in euro exchange rate	-	(2)	(2)	-	-	(74)	-	-	-	-	-
Total sensitivity to changes in interest rates	161	70	35	-	-	(4,494)	-	-	(35)	(70)	(173)
Total sensitivity to changes in stock market rates	-	60	30	-	-	599	-	-	(30)	(60)	-
Total sensitivity to changes in Israeli CPI	-	-	-	(55)	(28)	(3,514)	28	55	-	-	-



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7. Remuneration of Senior Officers**Determining Salaries and Bonuses**

The Board of Directors of the company (after obtaining the approval of the Audit Committee) decides once a year on the update of salaries in the granting of bonuses to senior officers at the company, while taking into consideration, inter alia, the performance of the company in the past year. On March 21, 2010, in determining the level of the annual bonus for 2009 that was granted to senior officers, the Board of Directors took into consideration, inter alia, the basic salary of each officer, the degree of complexity of their position, the responsibility they were entrusted with, special efforts invested during the relevant period, the desire to retain the officer as a human resource, the volume of company operations and their complexity and the personal contribution made by each officer to the success of the company's business. The Board of Directors of the company estimates that the said bonuses reflect the contribution of each of the senior officers to the company and that these are reasonable given the circumstances. For additional details, see Regulation 21 in part D - Additional Details regarding the Corporation, as at December 31, 2009.



Management Discussion as of March 31, 2010

B. Exposure and Management of Market Risks

8. Qualitative Report Regarding Exposure to Market Risks and the Management Thereof

- 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 the principal subsidiaries, see paragraph (i) below.
- B. The officer responsible for managing the financial risks to which the Corporation is exposed 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, inflation rates and currency exchange rates, all of which affect, both directly and indirectly, its operating results and the value of its assets and liabilities.

Direct exposure to a rise in the CPI - As at March 31, 2010, the company possesses CPI-linked liabilities totaling some NIS 1.7 billion with an average life span of approximately 4.8 years, as compared with CPI-linked liabilities totaling approximately NIS 1.8 billion, with an average life span of 4.7 years, as at December 31, 2009.

The company partially hedges this exposure by acquiring forward contracts on the CPI. True to March 31, 2010, such contracts amounted to NIS 463 million, with an outstanding average weighted term of approximately 17 months. True to December 31, 2009, such contracts amounted to NIS 344 million, with an outstanding average weighted term of approximately 16 months.

For information regarding the situation in real term and financial markets in Israel and worldwide, see Section 1, above.

D. Corporation's Market Risk Management Policy

The Corporation holds a considerable volume of marketable securities in investee companies. As a general rule, the Company does not hedge its investments in marketable securities, in view of, amongst other factors, the large extent to which the Company has invested in marketable securities, the diversification of investments both in and outside of Israel, the diversification of investments in different sectors of operation, the diversification of investments in different securities, as well as the legal restrictions on the purchase of various 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 length of the average life-span of its financial assets with the length of the average life-span of its liabilities.

The Corporation has a surplus of CPI-linked liabilities arising from the nature of its activities – investment in real assets as opposed to raising mainly CPI-linked funds. Accordingly, the Corporation acts to reduce its exposure through 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.



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- 2) Simultaneously, the Corporation acts to recycle a portion of the debt through unlinked loans, subject to the market's supply and demand, while reviewing the 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 of Directors and Audit Committee, the management is authorized:

1. To enter into hedging transactions, from time to time, at its discretion, including forward transactions, options and other financial instruments (with respect to principal or interest), for the purpose of reducing or completely neutralizing such exposure as may arise from time to time as a result of the financial structure of the Corporation and/or in order to reduce financial expenses.
2. With respect to exposure to CPI-related risks - The Corporation, subject to the market's supply of hedging transactions, the terms of these transactions and the future CPI forecasts, aspires to occasionally determine the volume of hedging against CPI exposure.
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 amount and term of the CPI-linked debt.

In order to address the exposure in respect of foreign currencies and to reduce financial expenses, only against the base asset 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 of Directors as necessary, and must, in any event, report at least once a year. The issue of currency exposure is presented on an ongoing basis in the meetings of the Company's Board of Directors and is elaborately discussed in the meetings of the Company's Board of Directors and Balance Sheet Committee.



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F. Report of linkage bases of the Company and its wholly-owned headquarter companies as of March 31, 2010, for which the Company manages the currency exposure:

	CPI-linked	Linked to the US\$	Unlinked	Non-monetary balances	Total
	NIS millions				
Current assets	113	106	619	3	841
Non-current assets	6	2	23	3,757	3,788
Current Liabilities	(332)	-	(243)	-	(575)
Non-current liabilities	(1,459)	-	(249)	(14)	(1,722)
Total balance sheet amounts, net	<u>(1,672)</u>	<u>108</u>	<u>150</u>	<u>3,746</u>	<u>2,332</u>

G. 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:

	CPI-linked	Linked to the US\$	Unlinked	Non-monetary balances	Total
	NIS millions				
Current assets	109	160	630	4	903
Non-current assets	3	2	24	2,915	2,944
Current Liabilities	(210)	(2)	(71)	-	(283)
Non-current liabilities	(1,685)	-	(13)	(3)	(1,701)
Total balance sheet amounts, net	<u>(1,783)</u>	<u>160</u>	<u>570</u>	<u>2,916</u>	<u>1,863</u>



Management Discussion as of March 31, 2010

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

	CPI-linked	Linked to the US\$	Unlinked	Non-monetary balances	Total
	NIS millions				
Current assets	116	87	516	2	721
Non-current assets	6	16	34	3,928	3,984
Current Liabilities	(1,601)	-	(252)	(9)	(1,862)
Non-current liabilities	(359)	-	(58)	(1)	(418)
Total balance sheet amounts, net	<u>(1,838)</u>	<u>103</u>	<u>240</u>	<u>3,920</u>	<u>2,425</u>

I. Subsidiaries

- Subsidiaries are exposed to fluctuations in the prices of raw materials, energy and changes in exchange rates, interest rates and inflation rates - that affect the revenues and expenses of these companies. Some subsidiaries adjust their sources of revenues and expenses to the same currency. Certain subsidiaries enter into hedging transactions in foreign currency derivatives designated to reduce exposure to foreign currency and into hedging transactions in order to reduce exposure to CPI-related risks.

A subsidiary utilizes contracts for periods of up to one year in various commodities and energy products in order to hedge against unexpected increases in prices on the global market.

- The Group's overall risk management plan focuses on an attempt to minimize potentially adverse influences on the financial performance of the Group, while taking into consideration that it is impossible to forecast the behavior of the financial markets.

Risk management is performed by the financial directors of the group companies, in line with the policy approved by the Board of Directors or committee appointed by the boards of those companies. The group companies identify, assess and hedge the financial risks - to the degree necessary. The boards of directors provide written principles for the overall management of risks, along with written policy handling more specific areas, such as exchange rate risks, interest rate risks, credit risks, the use of derivative and non-derivative financial instruments and the investment of surplus funds. The group companies maintain their balance of financial assets appearing In the Report of Financial Situation under the section cash and cash equivalents, deposits with banks and financial assets at fair value, through the statement of income, in accordance with the future cash flows of each company.



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J. Consolidated report of linkage bases as at March 31, 2010: :

	CPI-linked	Linked to the US\$	Linked to other foreign currency	Unlinked	Non-monetary balances	Total
	NIS millions					
Current assets	438	487	280	2,154	882	4,241
Non-current assets	48	129	2	52	6,773	7,004
Current Liabilities	(575)	(104)	(154)	(1,535)	(144)	(2,512)
Non-current liabilities	(2,727)	(60)	(44)	(1,198)	(623)	(4,652)
Total balance sheet amounts, net	<u>(2,816)</u>	<u>452</u>	<u>84</u>	<u>(527)</u>	<u>6,888</u>	<u>4,081</u>

K. Consolidated report of linkage bases as at March 31, 2009: :

	CPI-linked	Linked to the US\$	Linked to other foreign currency	Unlinked	Non-monetary balances	Total
	NIS millions					
Current assets	304	537	202	1,677	860	3,580
Non-current assets	48	135	1	33	4,171	4,388
Current Liabilities	(450)	(89)	(150)	(949)	(124)	(1,762)
Non-current liabilities	(2,619)	(55)	(26)	(329)	(581)	(3,610)
Total balance sheet amounts, net	<u>(2,717)</u>	<u>528</u>	<u>27</u>	<u>432</u>	<u>4,326</u>	<u>2,596</u>

L. Consolidated report of linkage bases as at December 31, 2009: :

	CPI-linked	Linked to the US\$	Linked to other foreign currency	Unlinked	Non-monetary balances	Total
	NIS millions					
Current assets	284	497	182	2,393	896	4,252
Non-current assets	48	137	1	56	6,785	7,027
Current Liabilities	(718)	(104)	(211)	(1,182)	(53)	(2,268)
Non-current liabilities	(2,864)	(63)	(47)	(1,182)	(622)	(4,778)
Total balance sheet amounts, net	<u>(3,250)</u>	<u>467</u>	<u>(75)</u>	<u>85</u>	<u>7,006</u>	<u>4,233</u>



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C. Corporate Governance Issues

9. Donations and Community Assistance

On March 18, 2010, the Company's Board decided to set the Company's overall donations budget at NIS 5 million ("Donations Budget for 2010"). Out of the donations budget for 2010, the Company will donate an amount of NIS 3 million through the IDB Foundation for the Community (R.A.).

10. Process of approval of the financial statements

The Company's Board of Directors 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 - Chairman of the Committee (director possessing accounting and financial skills), David Leviathan (director possessing accounting and financial skills), Ze'ev Ben Asher (external director possessing accounting and financial skills) and Liora Polacheck (external director possessing professional skills). The meetings of the Balance Sheet Committee, as well as the board meetings during which the financial statements are discussed and approved, are attended by the company's auditing CPAs, who are instructed to present the principal findings - if there are any - that surfaced during the audit or review process, as well as by the Internal Auditor - Ilan Amit.

The Balance Sheet Committee conducts its examination via detailed presentations from company executives and others, including: The Company's VP Comptroller, Mr. Yehuda Ben Ezra and the CFO, Mr. Gonen Biber - covering 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. In case necessary, the Balance Sheet Committee demands to receive comprehensive reviews of matters with especially relevant impact.

The approval of the financial statements involves several meetings as required: The first, held several days before the approval date of the financial statements, is held to discuss the actual results and the material reporting issues, whereas the second, held at the approval date of the financial statements, is held by the Board Of Directors, to discuss the actual results and the material reporting issues.

11. Procedures

A. Procedure for classifying transactions as marginal

1. On March 23, 2009, the Company's Board of Directors resolved to adopt rules and guidelines for classifying a transaction of the Company or of one of its consolidated subsidiaries - with a controlling shareholder - as a negligible transaction as set forth in Regulation 64(3)(d)(1) of the Securities Regulations (Preparation of Annual Financial Statements), 1993 ("Financial Statements Regulations"). For additional details, see Note 31b to the Company's financial statements as of December 31, 2009.
2. It should be noted that the said Marginal Transaction Procedure published by the company on March 23, 2009, is being discussed with the Securities Authority and will most likely be modified.



Management Discussion as of March 31, 2010

- B. Update of the company policy for examining the materiality regarding the need to submit an immediate report upon the occurrence of an event or matter outside the scope of the normal course of affairs:
1. As detailed in Section 19 of the Management Discussion of the company for 2007, the Board of Directors of the company ratified a procedure on March 23, 2008, determining guidelines and rules for the company to examine whether a particular event or matter of the company and or an investee company ("The Event") is material to the company in terms of the obligation to submit an immediate report by virtue of Regulation 36 to the Securities Regulations (Periodical and Immediate Reports), 1970 ("The Procedure"). According to the procedure that was adopted, a quantitative and qualitative examination will be conducted with respect to the relevant event, while taking into consideration all of the relevant information and circumstances. Pursuant to the procedure, the quantitative examination will be conducted according to quantitative parameters relevant to the event, on the basis of the consolidated financial statements and the data appearing therein, including asset ratios, profit ratios, shareholders' equity ratios and liability ratios.
 2. on March 21, 2010, the Board of Directors of the company approved the amendment of a procedure, to the effect that from the date of the resolution and thereafter, the profit ratio will be calculated as follows: The actual or forecasted profit or losses attributed to the event divided by the average annual profit or loss (i.e. in four quarters) in the preceding three years, calculated on the basis of the last 12 quarters in which audited or reviewed financial statements were published; in this respect, the profit or loss attributed to the event and the profit or loss in each quarter will be calculated in their absolute value. It should be noted, that prior to the amendment of the procedure, the calculation of the average annual profit was based on the quarterly profit or loss data as is (positive or negative).
There are no changes to the remaining directives of the procedure.
 3. It should be noted, that subsequent to this decision, this method of calculating the profit ratio will also serve for the purpose of the procedure for classifying transactions as marginal (see Section 10 above) in those circumstances where the relevant parameter for examining the marginality of the transaction is based on the profit or loss data.

12. Interested and Related Parties

Regarding developments that occurred during the reported period, see Note 7 to the financial statements dated March 31, 2010.



Management Discussion as of March 31, 2010

D. Disclosure Directives Related to the Financial Reporting of the Corporation**13. Events Subsequent to the Balance Sheet Date****A. D-Pharm**

In May 2010, CBI exercised 900,000 option warrants (Series 1) of D-Pharm, a subsidiary in which CBI holds 47% (51% fully diluted), in consideration for a total exercise price of NIS 15.7 million.

To the best of CBI's knowledge, D-Pharm intends to use part of the said proceeds in order to expand its clinical operations and to promote the clinical development of the DP-VPA product, subject to the discretion of the Board of Directors of D-Pharm, from time to time.

In close proximity after the aforementioned exercise, CBI entered into an off-exchange agreement with a third party, to sell 600,000 ordinary shares of D-Pharm and 150,000 option warrants (Series 1) of D-Pharm for a total consideration of NIS 14.2 million.

Subsequent to the said exercise and sale, CBI holds approximately 46% of the issued and paid-up share capital of D-Pharm (48% on a fully diluted basis).

For additional details, see Note 8 to the financial statements dated March 31, 2010.

B. With respect to a dividend declared subsequent to the balance sheet date, see Note 5b, above.

14. Contingent Liabilities

Regarding contingent liabilities, lawsuits filed and material developments during and subsequent to the reporting period - See Note 5b to the financial statements dated March 31, 2010.

In their review report of the financial statements, the Company's auditors draw attention to the claims in the aforesaid note.



Management Discussion as of March 31, 2010

E. Dedicated Disclosure to Debenture Holders

13. Debentures

a. Debenture data (appearing in NIS millions, rounded off to the nearest million):

Name of debenture	Issue date (*)	Issued par value	Par value balance	Linked par value balance	Accrued interest	Book value	Fair value	Interest type	Principal payment dates	Interest payment dates	Linkage
Series I	13.08.2001	86	37	44	1	44	49	Fixed 5.7%	7 annual installments starting Aug-30-06	Annual Aug-30	Index
Series K	12.11.2003	137	78	89	4	89	101	Fixed 5.95%	7 annual installments starting May-31-07	Annual May-31	Index
Series L	02.05.2005	333	339	385	4	386	411	Fixed 4.35%	5 annual installments starting Jan-10-09	Annual Jan-10	Index
	25.05.2005	140									
	11.04.2006	91									
	Total L	564									
Series M ²	02.06.2005	70	533	602	22	576	674	Fixed 4.5%	5 annual installments starting Jun-10-13	Annual Jun-10	Index
	11.04.2006	151									
	13.07.2006	342									
	Total M	563									
Series N ³	16.01.2007	500	477	528	5	526	559	Fixed 4.9%	5 annual installments starting Jan-16-18	Annual Jan-16	Index
Series O	06.12.2009	250	250	250	4	248	259	Fixed 5.59%	5 annual installments starting Jun-10-13	Annual Jun-10	Unlinked

² The balance presented (except "issued par value" data) is net of NIS 30 million par value held by a wholly-owned subsidiary.

³ The balance presented (except "issued par value" data) is net of NIS 23 million par value held by a wholly-owned subsidiary.

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



Management Discussion as of March 31, 2010

B. Details of trustee

- (1) Series I, K: SAG Trust Company Ltd., contact person: David Gottlieb, Adv. 7 Menachem Begin Street; Ramat Gan 5251, Tel: 03-7549926
- (2) Series L: Hermetic Trust (1975) Ltd., contact person: Dan Avnon, Adv. 113 Hayarkon St.; Tel-Aviv 63573; Tel: 03-5274867
- (3) Series M: Reznik Paz Nevo Trusts Ltd., contact person: Yossi Reznik, CPA. 14 Yad Harutzim Street, Tel Aviv; Tel: 03-6389200
- (4) Series N: Kaldan Trust Company Ltd.; contact person: Moran Shachar, Adv. 7 Menachem Begin Street, Ramat Gan 52681; Tel: 03-6109000, regarding the resignation of the trustee, see Section F2, below.
- (5) Series O: Strauss Lazar Trust Company (1992) Ltd.; contact person: Uri Lazar, Adv., 17 Itzhak Sadeh Street, Tel Aviv; Tel: 03-6237777

C. Rating

Rating of outstanding series of liability certificates:

Name of Debenture	Rating Company	Rating Set Upon Issue(**)	Examination of Rating Update, July 2009 (***)
Series I	Maalot	(*)AA +	A+/Stable
Series K	Maalot	AA/Stable	A+/Stable
Series L	Maalot	AA/Stable	A+/Stable
Series M	Maalot	AA/Stable	A+/Stable
Series N	Maalot	AA/Stable	A+/Stable
Series O	Maalot	A+/Stable	A+/Stable

- (*) Series K was issued in November 2003, the rating of Series I was updated in the Maalot report to AA.
- (**) Attached to the company's annual financial statements dated December 31, 2009 - Maalot report dated July 2009.
- (**) Attached to the company's annual financial statements dated December 31, 2009 - Maalot report dated November 2009.

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

Series N

On February 11, 2010, the company received notice from Kaldan Trust Company Ltd. ("the trustee") regarding its resignation from trusteeship over the debentures (Series N) of the company.

The reason for the resignation, as related to the company by the Trustee, was the fact that on February 7, 2010, the Board of Directors of the Trustee decided that it would discontinue its trust operations and transfer the trusteeship accounts of debentures with which it was entrusted to an alternate trustee.

The Trustee further related in its message, that according to the directives of the trust certificate, the company must act to appoint a new trustee. This resignation will become effective only after obtaining court approval and appointing an alternate trustee.



Management Discussion as of March 31, 2010

The Company's Board of Directors and management wish to expressed their gratitude to 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 of
Directors

Avi Fisher
Director and Joint
CEO

Zvika Livnat
Joint CEO



Management Discussion as of March 31, 2010

Appendix A:**Sensitivity analyses of financial instruments to changes in market factors****1. Assumptions and Comments:**

- A. The fair value of marketable securities is measured at their quoted market prices as of March 31, 2010.
- 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-span based on the effective interest in respect of the marketable debentures or a quotation received by the Company from a financial institution as of the 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, 2010.
- 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.
- D. Changes in exchange rates possess an influence both on the reported results and on the shareholders' equity of the company as a result of the allocation of translation differences, originating from the translation of financial statements published in foreign currency of the investee companies.



Management Discussion as of March 31, 2010

2. Sensitivity analysis tables of financial instruments included in the consolidated financial statements dated March 31, 2010, to changes in market factors

Sensitivity analysis to changes in US dollar exchange rate					
Instrument	Profit (loss) from change		Fair value as at Mar-31-10	Profit (loss) from change	
	10% rise in exchange rate	5% rise in exchange rate		5% decrease in exchange rate	10% decrease in exchange rate
Cash and cash equivalents	23	11	226	(11)	(23)
Accounts receivable	9	5	92	(5)	(9)
Short-term investments excluding derivative financial instruments	15	7	145	(7)	(15)
Short-term loans and deposits	2	1	21	(1)	(2)
Other long-term investments excluding derivative financial instruments	3	2	33	(2)	(3)
Other Accounts Payable	(9)	(4)	(88)	4	9
Other liabilities, including current maturities	(6)	(3)	(61)	3	6
Total	37	19	368	(19)	(37)
NIS/US\$ forward transaction	2	1	*	(1)	(2)
Total	39	20	368	(20)	(39)

Sensitivity analysis to changes in euro exchange rate					
Instrument	Profit (loss) from change		Fair value as at Mar-31-10	Profit (loss) from change	
	10% rise in exchange rate	5% rise in exchange rate		5% decrease in exchange rate	10% decrease in exchange rate
Cash and cash equivalents	8	4	79	(4)	(8)
Accounts receivable	5	3	54	(3)	(5)
Short-term loans and deposits	2	1	25	(1)	(2)
Other Accounts Payable	(10)	(5)	(102)	5	10
Bank loans, including current maturities	(3)	(2)	(35)	2	3
Other liabilities, including current maturities	(2)	(1)	(23)	1	2
Total	-	-	(2)	-	-
NIS/€ forward transaction	3	1	(1)	(2)	(4)
Total	3	1	(3)	(2)	(4)



Management Discussion as of March 31, 2010

Sensitivity analysis to changes in NIS interest rate							
Instrument	Profit (loss) from change			Fair value as at Mar-31-10	Profit (loss) from change		
	Absolute rise of 2% in interest rate	10% rise in interest rate	5% rise in interest rate		5% decrease in interest rate	10% decrease in interest rate	Absolute decrease of 2% in interest rate
Loans and receivables, including current maturities	*	*	*	51	*	*	*
Debentures	243	52	26	(3,738)	(26)	(80)	(269)
Loans from banks and other creditors, including current maturities	29	9	5	(726)	(5)	(9)	(32)
Total	272	61	31	(4,413)	(31)	(89)	(301)

Sensitivity analysis to changes in stock market rates							
Instrument	Profit (loss) from change			Fair value as at Mar-31-10	Profit (loss) from change		
	35% rise in prices	10% rise in prices	5% rise in prices		5% decrease in prices	10% decrease in prices	31% decrease in prices
Current short term investments - marketable securities	-	85	43	851	(43)	(85)	-
Available-for-sale financial assets	-	*	1	3	*	(1)	-
Total	-	85	44	854	(43)	(86)	-

Sensitivity analysis to changes in the CPI					
Instrument	Profit (loss) from change		Fair value as at Mar-31-10	Profit (loss) from change	
	2% rise in CPI	1% rise in CPI		1% decrease in CPI	2% decrease in CPI
Short-Term Investments	7	4	367	(4)	(7)
Loans and receivables, including current maturities	1	1	57	(1)	(1)
Debentures	(64)	(32)	(3,212)	32	64
Bank loans, including current maturities	(3)	(1)	(142)	1	3
Total	(59)	(28)	(2,930)	28	59
Forward on unknown index as accounting hedge	15	8	4	(8)	(15)
Total	(44)	(20)	(2,926)	20	44

* Sum smaller than NIS 1 million.



Management Discussion as of March 31, 2010

3. Sensitivity analysis tables of financial instruments included in the consolidated financial statements dated March 31, 2009, to changes in market factors

Sensitivity analysis to changes in US dollar exchange rate					
Instrument	Profit (loss) from change		Fair value as at Mar-31-09	Profit (loss) from change	
	10% rise in exchange rate	5% rise in exchange rate		5% decrease in exchange rate	10% decrease in exchange rate
Cash and cash equivalents	36	18	365	(18)	(36)
Short-term investments, excluding derivative financial instruments	8	4	80	(4)	(8)
Accounts receivable	9	5	90	(5)	(9)
Loans and receivables, including current maturities	1	1	13	(1)	(1)
Other long-term investments, excluding derivative financial instruments	2	1	22	(1)	(2)
Credit from Banks	*	*	(2)	*	*
Other Accounts Payable	(7)	(3)	(68)	3	7
Other Long-Term Liabilities	(4)	(2)	(37)	2	4
Total	45	24	463	(24)	(45)
NIS/US\$ options	(4)	(2)	*	2	4
NIS/US\$ forward transaction	1	*	2	*	(1)
Total	42	22	465	(22)	(42)

Sensitivity analysis to changes in euro exchange rate					
Instrument	Profit (loss) from change		Fair value as at Mar-31-09	Profit (loss) from change	
	10% rise in exchange rate	5% rise in exchange rate		5% decrease in exchange rate	10% decrease in exchange rate
Cash and cash equivalents	2	1	20	(1)	(2)
Short-term investments, excluding derivative financial instruments	*	*	3	*	*
Accounts receivable	5	3	51	(3)	(5)
Loans and receivables, including current maturities	*	*	2	*	*
Other Accounts Payable	(9)	(5)	(90)	5	9
Bank loans, including current maturities	(3)	(1)	(28)	1	3
Total	(5)	(2)	(42)	2	5
NIS/€ forward transaction	*	*	(1)	*	*
Total	(5)	(2)	(43)	2	5



Management Discussion as of March 31, 2010

Sensitivity analysis to changes in interest rates					
Instrument	Profit (loss) from change		Fair value as at Mar-31-09	Profit (loss) from change	
	10% rise in interest rate	5% rise in interest rate		5% decrease in interest rate	10% decrease in interest rate
Debentures	61	31	(3,029)	(31)	(61)
Bank loans, including current maturities	2	1	(682)	(1)	(2)
Total	63	32	(3,711)	(32)	(63)

Sensitivity analysis to changes in stock market rates							
Instrument	Profit (loss) from change			Fair value as at Mar-31-09	Profit (loss) from change		
	35% rise in prices	10% rise in prices	5% rise in prices		5% decrease in prices	10% decrease in prices	31% decrease in prices
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)	(2)

Sensitivity analysis to changes in the CPI					
Instrument	Profit (loss) from change		Fair value as at Mar-31-09	Profit (loss) from change	
	2% rise in CPI	1% rise in CPI		1% decrease in CPI	2% decrease in CPI
Short-Term Investments	6	3	299	(3)	(6)
Debentures	(60)	(30)	(3,029)	30	60
Other Accounts Payable	(4)	(2)	(176)	2	4
Bank loans, including current maturities	(2)	(1)	(121)	1	2
Forward on unknown index as accounting hedge	24	12	(27)	(12)	(24)
Total	(37)	(19)	(3,094)	19	37

(*) Represents an amount of less than NIS 1 million.

(**) The change in the fair value of available-for-sale financial assets is partially expressed in the statement of income and partially in a capital reserve in the consolidated statement of changes in shareholders' equity.



Management Discussion as of March 31, 2010

4. Sensitivity analysis tables of financial instruments included in the consolidated financial statements dated March 31, 2009, to changes in market factors

Sensitivity analysis to changes in US dollar exchange rate					
Instrument	Profit (loss) from change		Fair value as at Dec-31-09	Profit (loss) from change	
	10% rise in exchange rate	5% rise in exchange rate		5% decrease in exchange rate	10% decrease in exchange rate
Cash and cash equivalents	21	10	208	(10)	(21)
Accounts receivable	3	1	30	(1)	(3)
Short-term investments, excluding derivative financial instruments	2	1	21	(1)	(2)
Loans and receivables, including current maturities	5	3	50	(3)	(5)
Other long-term investments, excluding derivative financial instruments	4	2	40	(2)	(4)
Derivative financial instruments	-	-	-	-	-
Other Accounts Payable	(11)	(6)	(111)	6	11
Other Long-Term Liabilities	(4)	(2)	(41)	2	4
Derivative Financial Instruments	-	-	-	-	-
Total	20	9	197	(9)	(20)
NIS/US\$ options	-	-	-	-	-
NIS/US\$ forward transaction	3	1	-	(1)	(3)
Total	23	10	197	(10)	(23)

Sensitivity analysis to changes in euro exchange rate					
Instrument	Profit (loss) from change		Fair value as at Dec-31-09	Profit (loss) from change	
	10% rise in exchange rate	5% rise in exchange rate		5% decrease in exchange rate	10% decrease in exchange rate
Cash and cash equivalents	5	2	48	(2)	(5)
Accounts receivable	4	2	39	(2)	(4)
Short-term loans and deposits	4	2	37	(2)	(4)
Other Accounts Payable	(13)	(7)	(133)	7	13
Bank loans, including current maturities	(4)	(2)	(39)	2	4
Other liabilities, including current maturities	(3)	(1)	(25)	1	3
Total	(7)	(4)	(73)	4	7
NIS/€ forward transaction	5	2	(1)	(4)	(7)
Total	(2)	(2)	(74)	-	-



Management Discussion as of March 31, 2010

Sensitivity analysis to changes in NIS interest rate							
Instrument	Profit (loss) from change			Fair value as at Dec-31-09	Profit (loss) from change		
	Absolute rise of 2% in interest rate	10% rise in interest rate	5% rise in interest rate		5% decrease in interest rate	10% decrease in interest rate	Absolute decrease of 2% in interest rate
Loans and receivables, including current maturities		-	-	94	-	-	
Debentures	145	61	31	(3,875)	(31)	(64)	(156)
Loans from banks and other creditors, including current maturities	4	2	1	(301)	(1)	(2)	(4)
Current financial liabilities	12	7	3	(412)	(3)	(7)	(13)
Total	161	70	35	(4,494)	(35)	(73)	(173)

Sensitivity analysis to changes in stock market rates							
Instrument	Profit (loss) from change			Fair value as at Dec-31-09	Profit (loss) from change		
	35% rise in prices	10% rise in prices	5% rise in prices		5% decrease in prices	10% decrease in prices	31% decrease in prices
Current short term investments - marketable securities	-	58	29	584	(29)	(58)	-
Available-for-sale financial assets	-	2	1	15	(1)	(2)	-
Total	-	60	30	599	(30)	(60)	-

Sensitivity analysis to changes in the CPI					
Instrument	Profit (loss) from change		Fair value as at Dec-31-09	Profit (loss) from change	
	2% rise in CPI	1% rise in CPI		1% decrease in CPI	2% decrease in CPI
Short-Term Investments	1	-	45	-	(1)
Loans and receivables, including current maturities	4	2	201	(2)	(4)
Debentures	(67)	(34)	(3,634)	34	67
Bank loans, including current maturities	(3)	(1)	(130)	1	3
Current tax liabilities	-	-	-	-	-
Total	(65)	(33)	(3,518)	33	65
Forward on unknown index as accounting hedge	10	5	4	(5)	(10)
Total	(55)	(28)	(3514)	28	55

(*) Represents an amount of less than NIS 1 million.

CLAL INDUSTRIES AND INVESTMENTS LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2010

Unaudited

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**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 statement of financial position as of March 31, 2010, the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information 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 39% of total consolidated assets as of March 31, 2010, and whose revenues constitute approximately 40% of total consolidated revenues for the three months then ended.

In addition, we did not review the condensed interim financial information of companies accounted for by the equity method, the investment in which amounted to NIS 1,382 million as of March 31, 2010, and the Group's share in their earnings amounted to NIS 15 million for the three month period then ended, respectively. 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 above mentioned, 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 Note 5 to the financial statements regarding claims filed against investees and motions to certify these claims as class actions.

Pro forma financial information

We have reviewed the accompanying pro forma financial information of the Company, which comprises the condensed consolidated pro forma statements of income and comprehensive income for the three-month period ended March 31, 2010, which are disclosed in Note 3a(2) to the financial statements. The Company's board of directors and management are responsible for the preparation and presentation of interim pro forma financial information in accordance with the accounting policies outlined in Note 2 and the assumptions set forth in Note 3a(2) to the financial statements and are responsible for the preparation of interim pro forma financial information in accordance with Regulation 38b to the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express an opinion on this interim pro forma financial information based on our review.

We did not review the condensed interim financial information of certain subsidiaries, whose revenues constitute approximately 35% of total consolidated pro forma revenues for the three month period ended March 31, 2010. 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. In addition, we did not review the pro forma financial information for the three-month period ended March 31, 2010, of companies reported by the equity method, the Group's share in the earnings of these companies amounted to NIS 17 million. 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.

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.

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 pro forma financial information is not prepared, in all material respects, in accordance with the accounting policies outlined in Note 2 and the assumptions outlined in Note 3a(2) to the pro forma financial information.

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 pro forma financial information does not comply, in all material respects, with Regulation 38b to the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv, Israel
May 17, 2010

KOST FORER GABBAY & KASIERER
AUDITORS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of March 31		As of
	2010	2009	December 31
	Unaudited		Audited
NIS in million			
<u>Current assets</u>			
Cash and cash equivalents	1,067	1,223	1,239
Short-term investments	1,037	741	981
Trade receivables	1,084	678	1,006
Accounts receivable	233	121	204
Inventory	819	810	813
Derivative financial instruments	1	7	9
	4,241	3,580	4,252
<u>Non-current assets</u>			
Inventory of land	26	29	25
Loans and receivables	41	76	40
Available-for-sale financial assets	185	166	128
Derivative financial instruments	97	99	112
Prepaid expenses and rights in respect of an operating lease	61	-	(** (* 67
Investments in associates	1,901	1,059	1,955
Investment property	291	252	256
Fixed assets, net	3,440	(* 2,213	(* 3,451
Intangible assets, net	883	(** 444	(** 914
Assets in respect of employee benefits	25	20	24
Deferred taxes	54	30	55
	7,004	4,388	7,027
<u>Total taxes</u>	11,245	7,968	11,279

*) Implemented retroactively , see note 2a(2).

***) Reclassified, see note 2c.

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>As of March 31</u>		<u>As of</u>
	<u>2010</u>	<u>2009</u>	<u>December 31,</u>
	<u>Unaudited</u>		<u>2009</u>
	<u>NIS in million</u>		<u>Audited</u>
<u>Current liabilities</u>			
Credit from banks and other credit providers	440	439	488
Current maturities of bonds	406	292	410
Trade payable	544	332	556
Taxes payable	90	34	78
Accounts payable and accruals	832	616	720
Derivative financial instruments	20	49	16
Dividend payable	180	-	-
	<u>2,512</u>	<u>1,762</u>	<u>2,268</u>
<u>Long-term liabilities</u>			
Loans from banks and other credit providers	898	433	(* 840
Bonds	3,060	2,528	3,232
Derivative financial instruments	20	21	20
Employee benefits	219	209	220
Deferred taxes	333	305	338
Long-term liabilities	122	114	128
	<u>4,652</u>	<u>3,610</u>	<u>4,778</u>
<u>Shareholders' equity</u>			
Share capital	1,257	1,257	1,257
Premium on shares	574	574	574
Retained earnings (loss)	109	(39)	200
Capital reserves	392	71	394
Capital attributed to shareholders of the Company	<u>2,332</u>	<u>1,863</u>	<u>2,425</u>
Non-controlling interests	<u>1,749</u>	<u>733</u>	<u>(* 1,808</u>
<u>Total equity</u>	<u>4,081</u>	<u>2,596</u>	<u>4,233</u>
<u>Total liabilities and equity</u>	<u>11,245</u>	<u>7,968</u>	<u>11,279</u>

*) Retroactive implementation, see note 2a(1)

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

.....
Nochi Dankner
Chairman of the Board
of Directors

.....
Zvika Livnat
Co-CEO

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

.....
Yehuda Ben Ezra
Vice President Comptroller

May 17, 2010

Date of approval of the
financial statements

CONSOLIDATED STATEMENTS OF INCOME

	For the three months ended March 31		For the year ended December 31
	2010	2009	2009
	Unaudited		Audited
	NIS in million (except for net EPS)		
Revenues			
Sales and services	1,226	965	4,176
Group's share in profits of associates, net	21	15	45
Gain on disposal of investments and assets	56	29	166
Other income	8	30	232
	<u>41</u>	<u>100</u>	<u>201</u>
	<u>1,352</u>	<u>1,139</u>	<u>4,820</u>
Expenses			
Cost of sales and services	867	708	2,880
Selling and marketing expenses	123	103	435
Administrative and general expenses	123	100	398
Loss on disposal and impairment of investments and assets	26	2	43
Other expenses	5	13	63
Financing expenses	68	59	334
	<u>1,212</u>	<u>985</u>	<u>4,153</u>
Profit before taxes on income	140	154	667
Taxes on income	39	22	100
Net income	<u>101</u>	<u>132</u>	<u>567</u>
Attributed to:			
Shareholders of the Company	85	107	450
Non-controlling interests	16	25	117
	<u>101</u>	<u>132</u>	<u>567</u>
<u>Net earnings per share attributable to company shareholders (in NIS):</u>			
Basic net earnings	<u>0.54</u>	<u>0.68</u>	<u>2.86</u>
Diluted net earnings	<u>0.53</u>	<u>0.61</u>	<u>2.75</u>

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the three months period ended March 31		For the year ended December 31
	2010	2009	2009
	Unaudited		Audited
	NIS in million		
Net income	101	132	567
Other comprehensive income (loss):			
Revaluation reserve from business combination, net of tax	-	-	467
Impairment of assets recognized against revaluation reserve, net of tax	-	-	(7)
Revaluation reserve in respect of investment property, net of tax	-	-	1
Net change in fair value of financial assets classified as available for sale, net of tax	2	11	(3)
Actuarial profits in respect of defined benefit plans, net of tax	-	1	3
Foreign currency translation differences for foreign operations	(22)	54	(4)
Loss due to cash flow hedges, net	-	-	(1)
Group's share of net other comprehensive income (loss) of associates	(5)	25	(2)
Other comprehensive income (loss), net	(25)	91	454
Total other comprehensive income	76	223	1,021
<u>Attributed to:</u>			
Shareholders of the Company	71	175	857
Non-controlling interests	5	48	164
	76	223	1,021

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

CLAL INDUSTRIES AND INVESTMENTS LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributed to shareholders of the Company				Total	Non-controlling interests	Total equity
	Share capital	Premium on shares	Capital reserve (*)	Retained earnings			
	NIS in million						
<u>Balance as of January 1, 2010 (audited)</u>	<u>1,257</u>	<u>574</u>	<u>394</u>	<u>200</u>	<u>2,425</u>	<u>(**1,808)</u>	<u>4,233</u>
Comprehensive income :							
Net income for the period	-	-	-	85	85	16	101
Total other comprehensive income (loss):							
Net change in fair value of financial assets classified as available for sale, net of tax	-	-	2	-	2	-	2
Foreign currency translation differences in respect of foreign operations, net	-	-	(12)	-	(12)	(10)	(22)
Group's share in other comprehensive loss of associates, net	-	-	(4)	-	(4)	(1)	(5)
Total	-	-	(14)	85	71	5	76
Transactions with shareholders of the Company and holders of non-controlling interests and other changes:							
Revaluation reserve recognized in retained earnings following achievement of control	-	-	(4)	4	-	-	-
Issue to holders of non-controlling interests in a subsidiary	-	-	4	-	4	7	11
Exercise of options in a subsidiary	-	-	15	-	15	14	29
Acquisition of shares from holders of non-controlling interests in subsidiaries	-	-	(3)	-	(3)	(4)	(7)
Cost of share-based payment	-	-	-	-	-	7	7
Divided to holders of non-controlling interests	-	-	-	-	-	(88)	(88)
Declared dividend	-	-	-	(180)	(180)	-	(180)
Total	-	-	12	(176)	(164)	(64)	(228)
<u>Balance as of March 31, 2010 (unaudited)</u>	<u>1,257</u>	<u>574</u>	<u>392</u>	<u>109</u>	<u>2,332</u>	<u>1,749</u>	<u>4,081</u>

**) Applied retroactively. See Note 2a1.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Attributed to shareholders of the Company						Total equity
	Share capital	Premium on shares	Capital reserve (*)	Retained earnings	Total	Non-controlling interests	
				(Accumulated losses)			
NIS in million							
<u>Balance as of January 1, 2009 (audited)</u>	<u>1,257</u>	<u>574</u>	<u>7</u>	<u>(150)</u>	<u>1,688</u>	<u>726</u>	<u>2,414</u>
Comprehensive income:							
Net income for the period	-	-	-	107	107	25	132
Total other comprehensive income (loss):							
Net change in fair value of financial assets classified as available for sale, net of tax	-	-	10	-	10	1	11
Actuarial profits in respect of defined benefit plans, net of tax	-	-	-	1	1	-	1
Foreign currency translation differences in respect of foreign operations, net	-	-	33	-	33	21	54
Group's share in other comprehensive loss of associates, net	-	-	24	-	24	1	25
Total	-	-	67	108	175	48	223
Transactions with shareholders of the Company and - changes:							
Revaluation reserve recognized in retained earnings following achievement of control	-	-	(3)	3	-	-	-
Expiry of options in a subsidiary	-	-	-	-	-	(14)	(14)
-interests in subsidiaries	-	-	-	-	-	(5)	(5)
-	-	-	-	-	-	5	5
-	-	-	-	-	-	(27)	(27)
Total	-	-	(3)	3	-	(41)	(41)
<u>Balance as of March 31, 2009 (unaudited)</u>	<u>1,257</u>	<u>574</u>	<u>71</u>	<u>(39)</u>	<u>1,863</u>	<u>733</u>	<u>2,596</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Attributed to shareholders of the Company				Total	Non-controlling interests	Total equity
	Share capital	Premium on shares	Capital reserve (*)	Retained earnings (Accumulated losses) NIS in million			
<u>Balance as of January 1, 2009 (audited)</u>	<u>1,257</u>	<u>574</u>	<u>7</u>	<u>(150)</u>	<u>1,688</u>	<u>726</u>	<u>2,414</u>
Comprehensive income:							
Net income for the period	-	-	-	450	450	117	567
Other comprehensive income (loss):							
Revaluation reserve from business combination, net of tax	-	-	416	-	416	51	467
Impairment of assets recognized against revaluation reserve, net of tax	-	-	(7)	-	(7)	-	(7)
Revaluation reserve due to investment property, net of tax	-	-	1	-	1	-	1
Net change in fair value of financial assets classified as available for sale, net of tax	-	-	(3)	-	(3)	-	(3)
Actuarial profits in respect of defined benefit plans, net of tax	-	-	-	2	2	1	3
Foreign currency translation differences in respect of foreign operations, net	-	-	1	-	1	(5)	(4)
Loss due to cash flow hedges, net	-	-	(1)	-	(1)	-	(1)
Group's share in other comprehensive loss of associates, net	-	-	(3)	1	(2)	-	(2)
Total	-	-	404	453	857	164	1,021
-							
Revaluation reserve recognized in retained earnings following achievement of control	-	-	(11)	11	-	-	-
Issue to minority shareholders in subsidiaries	-	-	(5)	5	-	32	32
Exercise of option warrants and employee options to shares in subsidiaries	-	-	(1)	1	-	3	3
Changes in controlling shareholders' interests in subsidiaries that do not involve loss of control	-	-	-	-	-	** (5)	(5)
-	-	-	-	-	-	21	21
Dividend paid	-	-	-	(120)	(120)	-	(120)
Dividend paid to holders of non-controlling interests	-	-	-	-	-	(81)	(81)
Expiry of options in a subsidiary	-	-	-	-	-	(14)	(14)
Acquisition of shares from holders of non-controlling interests in subsidiaries	-	-	-	-	-	(22)	(22)
Acquisition of companies consolidated for the first time	-	-	-	-	-	984	984
Total	-	-	(17)	(103)	(120)	918	798
<u>Balance as of December 31, 2009 (audited)</u>	<u>1,257</u>	<u>574</u>	<u>394</u>	<u>200</u>	<u>2,425</u>	<u>**1,808</u>	<u>4,233</u>

**) Retroactive implementation, see note 2a(1)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)**Composition of capital reserves:**

	As of March 31		As of
	2010	2009	December 31
	Unaudited		2009
			Audited
	NIS in million		
Transactions with controlling shareholders	6	6	6
Revaluation of investment following achievement of control	417	26	421
Available for sale financial assets	8	25	7
Translation differences of financial statements of foreign operations	(56)	14	(41)
Revaluation reserve in respect of investment property	1	-	1
Reserve in respect of changes in ownership interests in subsidiaries that do not involve loss of control	16	-	-
	<u>392</u>	<u>71</u>	<u>394</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the three-month period ended March 31		For the year ended December 31
	2010	(* 2009	(* 2009
	Unaudited	Audited	Audited
	NIS in million		
<u>Cash flows from operating activity</u>			
Net income	101	132	567
Adjustments to reconcile the cash flows from operating activities:			
Adjustments to profit and loss items:			
Gain from changes in fair value of derivatives, net	-	(28)	(72)
Depreciation and amortization in respect of fixed assets and intangible assets	84	74	305
Profit on disposal and impairment of investments and assets, net	(30)	(27)	(123)
Taxes on income	39	22	100
Recognition of negative goodwill in statement of income	-	-	(144)
Income tax paid, net	(31)	(31)	(136)
Financing expenses (income), net	27	(41)	133
Company's share in profits of associates, net	(21)	(15)	(45)
Proceeds from disposal of derivatives	1	-	6
Change in fair value of investment property, net	(5)	-	(4)
Dividend received from associates	39	-	40
Cost of share-based payment	7	5	21
Change in liabilities and assets due to employee benefits, net	(4)	4	(13)
	<u>106</u>	<u>(37)</u>	<u>68</u>
Changes in asset and liability items:			
Decrease (increase) in accounts and trade receivable	(113)	27	23
Decrease (increase) in inventory and inventory of land, net	(14)	81	206
Increase (decrease) in accounts and trade payable	126	(64)	(107)
	<u>(1)</u>	<u>44</u>	<u>122</u>
Total adjustments to reconcile the cash flows from operating activities	<u>105</u>	<u>7</u>	<u>190</u>
Net cash provided by operating activities	<u>206</u>	<u>139</u>	<u>757</u>
<u>Cash flows from investment activities</u>			
Acquisition of fixed assets and intangible assets	(125)	(67)	(315)
Acquisition of investment property	-	-	(3)
Acquisition of companies consolidated for the first time net of acquired cash (a)	-	-	(189)
Acquisition of associates	(1)	(2)	(137)
Acquisition of available for sale financial assets	(2)	-	-
Proceeds from disposal of available for sale financial assets	1	-	20
Proceeds from disposal of fixed assets	5	13	49
Proceeds from disposal of investments in associates	32	1	12
Proceeds from disposal (acquisition) of held-for-trade securities, net	(56)	43	5
Provision of loans and other long-term credit	(1)	-	(63)
Collection of loans and other long-term credit	-	-	14
Interest received	5	3	20
Bank deposits, net	-	(33)	(6)
Net cash used in investment activities	<u>(142)</u>	<u>(42)</u>	<u>(593)</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued):

	For the three-month period ended March 31		For the year ended December 31
	2010	2009	2009
	Unaudited		Audited
	NIS in million		
Cash flow from financing activities			
Issue of capital to holders of non-controlling interests in subsidiaries	40	6	107
Dividend paid to shareholders of the Company	-	-	(120)
Proceeds from disposal of derivatives, net	1	-	25
Interest paid	(95)	(88)	(197)
Dividend paid to a minority	(38)	(27)	(81)
Acquisition of non-controlling interests in subsidiaries	(7)	(* (6))	(* (22))
Receipt of loans and other long-term liabilities	138	32	706
Repayment of loans and other long-term liabilities	(209)	(180)	(579)
Short-term credit from banks and other service providers, net	(57)	10	(79)
Net cash used in financing activities	(227)	(253)	(240)
Effect of exchange rate fluctuations on cash balances, net	(9)	74	11
Decrease in cash and cash equivalents	(172)	(82)	(65)
Balance of cash and cash equivalents at start of period	1,234	1,299	1,299
Balance of cash and cash equivalents at end of period **	1,062	1,217	1,234
Presented in the statement of financial position as follows**:			
Overdrafts (in credit from banks)	(5)	(6)	(5)
Cash and cash equivalents	1,067	1,223	1,239
	1,062	1,217	1,234
a. <u>Acquisition of newly consolidated subsidiaries net of acquired cash</u>			
Assets and liabilities of subsidiaries as of the purchase date:			
Working capital, except for cash and cash equivalents	-	-	37
Fixed assets and prepaid expenses in respect of an operating lease	-	-	(1,274)
Intangible assets	-	-	(503)
Other non-current assets	-	-	(114)
Long-term liabilities	-	-	835
Revaluation reserve due to business combination	-	-	467
Non-controlling interests	-	-	144
Recognition of negative goodwill in the statement of income	-	-	984
Investment in associates	-	-	(765)
	-	-	(189)
b. <u>Significant non-cash transactions</u>			
Acquisition of fixed assets in credit	5	-	11
Transfer of inventory to fixed assets	2	-	15
Exchange of option granted under technology acquisition agreement in installments	-	23	23
Exchange of lands	-	-	8
Reclassification from fixed assets to investment property	-	-	9
Reclassification from prepaid expenses to investment property	-	-	1
Conversion of options to shares in an associate	-	-	29

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

*) Retroactive implementation, see note 2a(1)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: - GENERAL

- a. Clal Industries and Investments Ltd. (hereinafter – "the Company") is a publicly-traded company, incorporated in Israel, whose shares are traded on the Tel Aviv Stock Exchange.

The Company is a holding company whose principal subsidiaries are primarily engaged in traditional industry, commerce and technology.

The Company is controlled by IDB Development Ltd, which is wholly owned by IDB Holdings Ltd.

- b. These financial statements were prepared in condensed format as of March 31, 2010 for the three months then ended ("the consolidated interim financial statements"). The financial statements should be read in the context of the Company's annual financial statements as of December 31, 2009 for the year then ended, and their accompanying notes ("the annual financial statements").

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

- a. Format for the preparation of the consolidated interim financial statements

The consolidated interim financial statements are prepared in accordance with generally accepted accounting principles for the preparation of interim financial statements 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 main accounting policy and calculation methods that were applied in the preparation of these consolidated interim financial statements are consistent with those applied in the preparation of the annual financial statements, except for the following:

1. IFRS 3 (revised) – "Business Combinations", IAS 27 (revised) "Consolidated and Separate Financial Statements" and IAS 28 (Revised) "Investments in Associates".

Under the new standards:

– The definition of a business has been broadened to include operations and assets that are not managed as a business, provided the seller is able to operate it as a business.

– A choice is allowed on a transaction-by-transaction basis for the measurement of non-controlling interests, and consequently, goodwill, either at full fair value or at the non-controlling interests' proportionate share of the fair value of the identifiable net assets of the acquiree at the acquisition date.

– Contingent consideration in business combinations is measured at fair value. Changes in fair value of the contingent consideration, which do not constitute adjustments to cost of acquisition in the measuring period, are not recognized as goodwill adjustment. In cases where the contingent consideration constitutes a financial derivative in the scope of IAS 39, it is measured at fair value and changes are recognized in profit or loss.

– Direct acquisition costs attributed to a business combination are recognized in profit or loss as incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (continued):

- The adjusted balance of a deferred tax asset for temporary differences that were acquired and that do not comply with recognition requirements at the acquisition date, are recognized in profit or loss and not as adjusted goodwill.
- The losses of a subsidiary, even if they result in a deficit in the equity of the subsidiary, are allocated between the parent company and the non-controlling interests, even if the holders of non-controlling interests are not a guarantor or do not have a contractual liability to support the subsidiary or to make further investment.
- At the date of the loss or achievement of control in a subsidiary, the balance of the holding, if any, is revalued at fair value against profit or loss from the sale. This fair value will serve as the basis for its cost for subsequent accounting.
- A transaction with non-controlling interests, whether a sale or an acquisition, is accounted for as an equity transaction. Therefore, acquisition of non-controlling interests by a Group is recorded against a decrease in capital (capital reserve from transactions with non-controlling interests), calculated as the difference between the consideration paid by the Group and the amount of the part acquired in the non-controlling interests which is derecognized on the acquisition date. When this difference is negative, an increase in capital (capital reserve from transactions with non-controlling interests) is recognized in the amount of this difference. When disposing of the holding in a subsidiary that does not involve loss of control, an increase or decrease in capital (capital reserve from transactions with holders of non-controlling interests) is recognized in the amount of the difference between the consideration received by the Group and the balance in the financial statements of the non-controlling interests in the subsidiary, which were added to the capital of the Company, taking into account use of capital reserves from other comprehensive income (loss), including any translation differences, according to the decrease in the rate of holding in the subsidiary.

Losses are attributed to non-controlling interests even if as a result, the balance of non-controlling interests in the consolidated balance sheet is negative.

- At the acquisition date, the assets and liabilities are reclassified and redesignated according to the contractual, financial and other relevant terms in force at the acquisition date, except for leases and insurance contracts.
- In a step acquisition, the equity rights in the acquiree prior to acquisition of control are measured at fair value at the acquisition date and are included in the acquisition consideration. Profit or loss is recognized at fair value, including the disposal of amounts recognized in other comprehensive income.
- At the date of the loss of significant influence, the balance of the holding, if any, is revalued at fair value against profit or loss from the sale. The balance of investment will be treated from that date in accordance with the provisions of IAS 39.
- Transactions with holders of non-controlling interests are accounted for, retroactively, in the statement of cash flows as a financing activity, rather than being classified, in some cases, as investment activity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (continued):

The standards are applied prospectively as of January 1, 2010. As a result of implementing the standards:

The standards are applied prospectively as of January 1, 2010. As a result of implementing the standards:

- 1) As a result of transactions with holders of non-controlling interests during the reporting period, a sum of NIS 16 million was shown as an increase in equity attributed to shareholders of the Company rather than recognized in the statement of income.
- 2) A subsidiary reclassified a sum of NIS 5 million from long-term loans to non-controlling interests in comparative numbers as of December 31, 2009.
- 3) A total of NIS 6 million and NIS 22 million were respectively reclassified from cash flows from investment activities for periods ended on March 31, 2009 and December 31, 2009 to cash flows from financing activities.
- 4) As a result of presenting Nova Measurement Instruments Ltd. during the reporting period as an available-for-sale financial asset, a sum of NIS 29 million was recognized in the statement of income, see note 3a(5) below.

The implementation of the standards could have a material impact on the financial statements, primarily with respect to business combination transactions in the future and transactions with holders of non-controlling interests.

2. IAS 17 - Leases

The amendment to IAS 17 eliminates specific guidance regarding classification of leases of land as operating or finance. As a result, leases of land are no longer classified as an operating lease in cases where the title is not expected to pass to the lessee at the end of the lease term. Classification of a lease as operating or finance is based on the general instructions in IAS 17 when signing the original agreement with the Israel Land Administration, taking account of the fact that land normally has an indefinite economic life.

The Amendment is applied to annual accounting periods commencing January 1, 2010. The Amendment is retroactively implemented for existing leases when the information is available when signing the lease. When the required information is not available, land leases will be re-examined on the date of adoption of the amendment.

The Group has lands that were leased from the Israel Land Administration and leasing fees in respect thereof were paid in full. As a result of the Amendment, amounts paid in respect of the above leases, and presented in previous financial statements under "prepaid expenses and rights in respect of an operating lease" are now presented under property, plant and equipment that continued to be depreciated over the term of the lease, which includes the option for extension. In addition, the Group did not recognize an asset and liability for future payments when exercising the option to extend the lease, as these payments will be based on the fair value of the land at the future exercise date and constitute contingent lease payment which, under IAS 17, are not taken into account.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (continued):**

Below is the effect of retroactive implementation on the statement of financial position in prior periods:

	Presented in the past	The change	Presented after the change
	NIS in million		
<u>As of March 31, 2009 (unaudited)</u>			
Prepaid expenses and rights in respect of an operating lease	(*) 25	(25)	-
Property, plant and equipment, net	2,188	25	2,213
<u>As of December 31, 2009 (audited)</u>			
Prepaid expenses and rights in respect of an operating lease	(*) 171	(104)	67
Property, plant and equipment, net	3,347	104	3,451

The retroactive implementation of the amendment did not have any impact on the Company's financial results and equity.

*) Reclassified, see c' below.

3. IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

Under the amendment to IFRS 5, when the parent company decides on the disposal of part of its holdings in a subsidiary so that after the disposal the parent company is left with a non-controlling interest, for example rights that confer significant influence, all the assets and liabilities attributed to the subsidiary are classified as held for sale and the relevant guidelines of IFRS 5 apply, including presentation as a discontinued operation. In addition, another amendment clarifies the disclosure requirements for non-current assets (or disposal groups) classified as held for sale or discontinued operations. Under the amendment, the disclosures required in respect of non-current assets or disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements that appear in other IFRS standards will only apply to those assets if they specifically relate to the non-current assets or disposal groups stated above.

The amendment is effective prospectively from January 1, 2010. The implementation of the standard did not have a material impact on the consolidated interim financial statements.

4. IFRIC 17, Distributions of Non-cash Assets to Owners

IFRIC 17 provides guidelines for accounting of distribution of non-cash assets to owners, without controlling shareholders, including property, plant and equipment, a business as defined in IFRS 3 and ownership rights in another company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (continued):

Under the interpretation, the obligation for the distribution is to be accounted for when approved by the relevant organ in the company. The liability will be measured at the fair value of the transferred asset, and will be recognized directly in equity, under retained earnings. At each reporting date, until derecognition of the asset, the liability will be measured at the fair value of the asset, with changes recognized in retained earnings. At the derecognition date, profit or loss is recognized in the statement of income in the amount of the difference between the amount of the liability and the balance of the asset in the financial statements at the derecognition date. In addition, the scope of IFRS 5 was expanded to include distribution of non-cash assets to owners.

The interpretation is effective prospectively as from January 1, 2010. The implementation of the interpretation did not have a material impact in the consolidated interim financial statements.

b. New IFRS standards in the period before their implementation

1. IFRS 9 - Financial Instruments

In November, 2009, IFRS 9, "Financial Instruments" was published. IFRS 9 constitutes the first stage in the project replacing IAS 39 – "Financial Instruments – Recognition and Measurement". IFRS 9 focuses mainly on the classification and measurement of financial assets and it applies to all financial assets within the scope of IAS 39.

According to the Standard, upon initial recognition, all the financial assets (including hybrid contracts where the host contract is as financial asset) will be measured at fair value. In subsequent periods, debt instruments should be measured at amortized cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows.
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement of all other debt instruments and financial assets will be at fair value.

Financial assets that are equity instruments will be measured in subsequent periods at fair value and the changes will be recognized in profit or loss or in other comprehensive income (loss), in accordance with the Company's election on an instrument-by-instrument basis. However, if the equity instruments are held for trading, they must be measured at fair value through profit or loss. This election is final and irrevocable. However, when an entity changes its business model for managing financial assets it shall reclassify all affected financial assets. In all other circumstances, reclassification of financial instruments is not permitted.

IFRS 9 will be effective starting January 1, 2013. Early adoption is permissible. Initial adoption of the standard will be prospective, restating comparative figures subject to certain exemptions prescribed in the Standard.

The Company is examining the possible effect of the new Standard on its consolidated financial statements but is currently unable to assess such effects, if any.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Continued):**2. IFRIC 19 – Settlement of financial liabilities through equity instruments

In November 2009, IFRIC 19 (hereinafter - "the interpretation") was published, prescribing the accounting treatment for transactions in which financial liabilities are settled by the issuance of equity instruments. According to the interpretation, equity instruments issued to replace debt will be measured at the fair value of the issued equity instruments, if it can be reliably estimated. If it is not possible to reliably estimate their fair value, the equity instruments should be measured according to the fair value of the financial liability settled on the settlement date. The difference between the carrying value of the settled financial liability and the fair value of the issued equity instruments is recognized in profit or loss.

The interpretation is to be applied for annual periods beginning on January 1, 2011. Early adoption is permitted.

- c. A subsidiary reclassified NIS 20 million from "prepaid expenses and rights in respect of an operating lease" to "intangible assets, net".
- d. Following are data regarding the Israeli CPI and the exchange rates of the U.S. dollar:

As of	Israeli CPI Points *)	Known Israeli CPI Points *)	Exchange rate of one U.S. dollar NIS
March 31, 2010	121.5	121.4	3.713
March 31, 2009	117.8	117.2	4.188
December 31, 2009	122.6	122.6	3.775
Change during the three- month period ended:	%	%	%
March 31, 2010	(0.9)	(0.9)	(1.6)
March 31, 2009	(0.1)	(0.7)	10.2
December 31, 2009	3.9	3.8	(0.1)

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

NOTE 3 - MATERIAL EVENTS DURING THE REPORTING PERIOD:a. Main changes in investments during the reporting period1. Maman Cargo Terminal Ltd. (hereinafter – "Maman")

In February 2010, Maman, which is 76.8% held by Taavura Holdings Ltd. (which is indirectly held by the Company at a rate of 37.5%) entered into a framework agreement (hereinafter - "the framework agreement") with El Al Israel Airlines Ltd. (hereinafter - "El Al"), a major customer of Maman's cargo terminal operation, whereby Maman will grant El Al, during the term of the framework agreement, rebates on the prices charged before the signing of the agreement with respect to terminal services provided for El Al's cargo in the cargo terminal.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - MATERIAL EVENTS DURING THE REPORTING PERIOD (continued):

Pursuant to the framework agreement, Maman has undertaken to allocate to El Al, subject to obtaining the requisite approvals, shares of Maman, which will be allocated in tranches, at a cumulative rate of up to 15% of the fully-diluted issued share capital of Maman, as well as non-marketable options to acquire shares of Maman, approximating 10% of the fully-diluted issued share capital of Maman, and exercisable, under varying conditions, over the course of six years.

If the shares and options are allocated to El Al (hereinafter – "the securities"), the Company is expected to recognize a decrease in the net income attributed to the Company's shareholders, totaling NIS 11 million and NIS 2 million for the years 2010 and 2011, respectively, for the Company's share in the expenses recognized by Maman, in respect of the fair value of the securities. The actual decrease in the profit will be determined in accordance with the fair value estimate of securities close to the date of their issuance, and in accordance with the tax rates applicable at the time. In addition, if the allocation of securities is carried out in full, the Company estimates that the capital attributed to shareholders of the Company will decrease by NIS 13 million. This amount is based on Maman's shareholders' equity as of March 31, 2010 and will be adjusted in accordance with the date of the allocation. In addition, Taavura's holding in Maman fell from 76.8% to 57.6%.

On February 18 2010, Maman received a letter from the Anti-Trust Authority, addressed to the CEO of Maman and the CEO of El Al. In the letter, the Anti-Trust Authority maintained its position that the arrangement included in the framework agreement, pursuant to which Maman will grant El Al price rebates as well as allocate shares to it constituting up to 15% of the share capital of Maman plus options to acquire shares of Maman representing an additional 10%, could allegedly constitute a "binding arrangement" pursuant to Section 2 of the Antitrust Law, 1988 (hereinafter - "the Law"), and could constitute an abuse of monopoly power under Section 29A of the Law.

The Antitrust Authority has therefore suggested that Maman and El Al would, at this stage, refrain from acting in accordance with the agreement and, among others, refrain from allocating the shares and granting discounts pursuant to the arrangement, until the legality of the arrangement has been asserted.

Pursuant to the receipt of the letter, Maman, in agreement with El Al, has delayed the allocation of the securities and the rebates to El Al, by virtue of the agreement.

2. Hadera Paper Ltd. (hereinafter – "Hadera Paper")

a. Pro forma information

Set forth below is the condensed pro forma statements of income, which were prepared to retroactively reflect the operating results of Hadera Paper and its investee companies, assuming that the business combination of Hadera Paper, as stated in note 11h(2) of the annual financial statements, took place in the earliest period included in the financial statements.

The pro forma statements of income were prepared according to the principles and assumptions outlined below:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - MATERIAL EVENTS DURING THE REPORTING PERIOD (continued):

- 1) The data of the pro forma statements of income are based on the consolidation of the Company's consolidated income statements and Hadera Papers' income statements which were drawn up for the periods preceding the actual date of the business combination. The results of the Company's investment in Hadera Paper, which were previously accounted for by the equity method, were deducted from the Company's income statements.
- 2) The minority interest in the results of Hadera Paper was determined on the basis of its holdings in Hadera Papers after the business combination date (about 41%).
- 3) The amount of acquisition was attributed to the net identifiable assets and liabilities of Hadera Paper, as described in note 11h(2)(b) of the annual financial statements. The consolidated pro forma statements of income include the amortization of the amount of acquisition attributable to the assets and liabilities as stated above commencing from the earliest period included in the financial statements (in accordance with the rates set forth above). The gain in the amount of NIS 113 million, deriving from Hadera Papers' business combination, as stated in note 11h(2)(a) to the annual financial statements, was not included in the operating results of the pro forma reporting periods.
- 4) Financing income in the relevant periods were reduced by the amount of the average interest that the Company received on shekel bank deposits in respect of the cash used to acquire the shares (NIS 246 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3 - MATERIAL EVENTS DURING THE REPORTING PERIOD (continued):**

The condensed consolidated pro forma income statements are as follows:

	For the three months ended March 31 2009	For the year ended December 31 2009
	<u>Unaudited</u>	<u>Audited</u>
	NIS in million (except for earnings per share data)	
<u>Revenues</u>		
Sales and services	1,195	4,831
The Company's share in the profits of associates, net	17	74
Profit from the disposal of investments and assets	29	166
Other income	43	137
Financing income	102	204
	<u>1,386</u>	<u>5,412</u>
<u>Expenses</u>		
Cost of sales and services	903	3,447
Selling and marketing expenses	121	488
Administrative and general expenses	114	442
Loss on disposal and impairment of investments and assets	2	43
Other expenses	13	48
Financing expenses	63	344
	<u>1,216</u>	<u>4,812</u>
Profit before taxes on income	170	600
Taxes on income	32	99
Net income	<u>138</u>	<u>501</u>
<u>Attributed to:</u>		
Shareholders of the Company	107	351
-	31	150
	<u>138</u>	<u>501</u>
<u>Earnings per share attributed to shareholders of the Company (NIS)</u>		
Basic earnings	<u>0.68</u>	<u>2.23</u>
Diluted earnings	<u>0.61</u>	<u>2.12</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3 - MATERIAL EVENTS DURING THE REPORTING PERIOD (continued):**

The condensed consolidated pro forma statements of comprehensive income are as follows:

	For the three months ended March 31, 2009 <u>Unaudited</u>	For the year ended December 31, 2009 <u>Audited</u>
	<u>NIS in million</u>	
Net income	<u>138</u>	<u>501</u>
Other comprehensive income:		
Revaluation reserve following business combination, net of tax	-	155
Revaluation reserve in respect of investment property, net of tax	-	1
Net change in fair value of financial assets classified as available for Sale, net of tax	11	(3)
Actuarial profits in respect of defined benefit plans, net of tax	1	3
Foreign currency translation differences in respect of foreign Operations, net	54	(4)
Profit in respect of cash flow hedging, net	5	4
Group's share in other comprehensive loss in associates, net	<u>23</u>	<u>(2)</u>
Other comprehensive income, net	<u>94</u>	<u>154</u>
Total comprehensive income	<u>232</u>	<u>655</u>
<u>Attributed to:</u>		
Shareholders of the Company	176	456
Non-controlling interests	<u>56</u>	<u>199</u>
	<u>232</u>	<u>655</u>

b. Property plant and equipment

Given indications of impairment of the cash-generating unit packaging papers, as stated in note 11h(2)(c) to the annual financial statements, Hadera Paper estimated the fair value of property plant and equipment items that are included in the packaging papers segment, based on an appraisal. The company found that the fair value of the property plant and equipment items net of selling costs is higher than their carrying value and in accordance with the provisions of IAS 36, no recognition of an impairment loss in respect of property plant and equipment items is required. Below are detailed concerning the assessment:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - MATERIAL EVENTS DURING THE REPORTING PERIOD (continued):

The carrying value of the machine in the books of Hadera Papers plus projected completion and initial operation costs as of March 31, 2010, is expected to amount up to NIS 580 million while the value of the machine based on the valuation as of March 31, 2010 amounts to NIS 770 million. The value of machinery and equipment is determined by an appraiser who specializes in this area, and who based its valuation on the comparative analysis method by comparing technical data/costs involved in the establishment of similar paper manufacturing projects to those of the machinery in the valuation. For the purpose of comparison, the appraiser used the set-up costs of 2 similar machines (with the necessary adjustments) and a price bid for a new machine. In order to determine the fair value the appraiser weighted the above prices.

3. Golf

During the first quarter of 2010, as a result of exercising series 2 options of Golf, the Company recorded an NIS 15 million increase in equity attributable to the shareholders of the Company. As a result of the exercise of the said options, the holding in Golf fell to 64%.

4. Clal Biotechnology Industries (hereinafter – "CBI")

a. Biomedical Investments (1997) Ltd. (hereinafter – "Biomedical")

In February 2010, Clal Biotechnology Industries Ltd. (hereinafter – "CBI") entered into a share acquisition and exchange agreement with Av-Ar Equity Investments 1997 Ltd. (hereinafter - "Av-Ar") and the shareholders of Av-Ar, held in equal stakes by Arison Investments Ltd., Abramson Group and Teva Pharmaceutical Industries Ltd., an interested party in CBI (hereinafter - "Teva"). Pursuant to the acquisition agreement, which was completed in April 2010, CBI acquired 100% of the share capital of Biomedical in consideration for a cash payment of NIS 28 million, the allotment of 3,000,000 ordinary shares of CBI, which will constitute, immediately after their allotment, 2.57% of the share capital of CBI on a fully diluted basis (hereinafter - "the allotted shares") and the allotment of a non-marketable option for the purchase of 1,250,000 ordinary shares of CBI, at terms similar to those of the Series 3 options of CBI, which are traded on the stock exchange. The allotted shares and option will constitute, immediately after the allotment, 3.64% of the share capital of CBI on a fully diluted basis.

The value of the consideration in the said transaction, based on the value of the securities allotted on the date of completion of the transaction and the fact that the said securities are restricted for trading (in accordance with the Securities Law) is NIS 95 million.

After the said allotment the Company's holding in CBI fell to 61% (on a fully diluted basis – 52%). As a result, in the second quarter of 2010 the Company is expected to record an NIS 32 million increase in the equity attributable to the shareholders of the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - MATERIAL EVENTS DURING THE REPORTING PERIOD (continued):

Biomedical is a private holding company that holds several life sciences and biotechnology companies, the principal ones being:

1. Gamida Cell Ltd. (hereinafter – "Gamida Cell")

Gamida Cell is a leader in the development of stem cell therapy technologies and products. The therapies are based on expanded populations of umbilical cord blood stem cells. Gamida Cell's flagship product, StemEx, is currently in the advanced stages of clinical trials (Pivotal Phase III). StemEx is being developed under a joint venture, held in equal shares, between Gamida Cell and Teva, under the name Gamida Cell - Teva Joint Venture Ltd.". Biomedical holds 19.8% of the issued and paid-up share capital of Gamida Cell (approximately 17.0% fully diluted).

2. Transpharma Medical Ltd. (hereinafter – "Transpharma")

Transpharma is a specialty pharmaceutical company focused on the development and commercialization of drug products utilizing a proprietary active transdermal drug delivery technology. Biomedical holds 6.0% of the issued and paid-up share capital of Transpharma (5.6% fully diluted).

3. BioControl Medical (BCM) Ltd. (hereinafter – "BioControl")

BioControl is currently focused on the clinical development of the CardioFit System, intended to effectively treat heart failure via vagus nerve stimulation. Biomedical indirectly holds 3% of the issued and paid-up share capital of BioControl (2.7% fully diluted).

b. Andromeda Biotech Ltd. (hereinafter – "Andromeda")

In February 2010 CBI invested \$2.6 million in Andromeda. Following the additional investment, CBI's stake in Andromeda increased to 90.5%. Subsequent to this investment, CBI has completed its undertaking to invest in Andromeda, as stated in note 11h(4)(a) to the annual financial statements.

c. Curetech Ltd. (hereinafter – "Curetech")

In January 2010, as part of the amended agreement from July 2008, Teva invested a further \$3 million in Curetech. Following the additional investment, the Company's holding in Curetech fell to 61%. As a result of the decline in the stake, there was an NIS 4 million increase in the equity attributable to the shareholders of the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - MATERIAL EVENTS DURING THE REPORTING PERIOD (continued):5. Nova Measuring Instruments Ltd. ("Nova")

In February 2010, Nova issued shares to the public. Consequently, the Company's stake was diluted from 20.7% to 17.4%. In the first quarter 2010, the Company recognized a NIS 7 million gain from the decline in its stake.

On March 10 2010, in the course of trading on the stock exchange, the Company sold 1,000,000 shares of Nova, constituting 4.2% of the issued and paid-up share capital of Nova, for a total consideration of \$5.1 million. As a result of the sale, the Company recognized a gain of NIS 11 million in the first quarter of 2010.

On March 11, 2010, the Company exercised all of its cashless options to acquire Nova shares. As a result, the Company received 336,000 shares of Nova.

As a result of the aforementioned transactions, the Company's stake in Nova fell to 14% (12.7% on a fully diluted basis).

In view of the aforesaid, the Company changed the accounting treatment of its investment in Nova, such that Nova is presented in its financial statements as an available for sale financial asset, while according to the previous accounting treatment, the investment in Nova was accounted for by the equity method.

As a result of the change in accounting treatment, the Company recognized a gain of NIS 29 million following the revaluation of the balance of the investment in Nova to fair value.

6. Arcadian Networks Inc. (hereinafter – "Arcadian")

During the first quarter of 2010 the Company included in its books an NIS 17 million provision for impairment of its investment in Arcadian, a company 12% held. The above provision is based on a valuation received by the Company from an independent external appraiser with respect to the fair value of the investment in Arcadian.

As of March 31, 2010 the Company's investment in Arcadian amounts to NIS 38 million. The investment in Arcadian is presented under "available-for-sale financial instruments".

7. ECTel Ltd. (hereinafter – "ECTel")

On October 22, 2009, ECTel (an associate which at the time was 17% held by the Company) signed a merger agreement, pursuant to which ECTel would be acquired from all its shareholders by cVidya Networks Ltd. for a cash consideration of US \$21 million (net of transaction costs). Under the terms of the agreement, each shareholder of ECTel would receive, upon the completion of the transaction, US\$1.26 per each share held thereby. In January 2010 the transaction was completed. The proceeds from the sale of shares of ECTel amounted to NIS 13 million. Given the provision for impairment which the Company included in its books in 2009 in respect of its investment in ECTel, the Company did not record any gain or loss in 2010 as a result of the aforesaid sale.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3 - MATERIAL EVENTS DURING THE REPORTING PERIOD (continued):**b. Investments in companies whose shares are traded on the stock exchange

	Amount of investment in shares as stated in the statement of financial position as of March 31, 2010	Stock exchange value as of	
		March 31, 2010	May 16, 2010
NIS in million			
<u>Associated companies:</u>			
BioCancell Ltd.	2	13	10
Beit Shemesh Engines Holdings (1997) Ltd.	33	19	18
Netvision Ltd.	385	399	381
<u>Subsidiaries:</u>			
D-Pharm Ltd.	186	172	119
Clal Biotechnology Industries Ltd.	280	1,232	1,140
Maman - Cargo Terminals and Handling Ltd.	111	102	97
Hadera Paper Ltd.	996	872	890
Fundtech Ltd.	327	465	432
Golf & Co. Group Ltd.	224	640	583

c. Condensed information on associated company Hogla-Kimberly Ltd.Condensed information taken from the statement of financial position

	As of March 31		As of
	2010	2009	December 31 2009
	Unaudited		Audited
NIS in million			
Current assets	603	578	583
Non-current assets	398	388	408
Current liabilities	469	472	460
Non-current liabilities	69	100	75
Equity attributable to shareholders of the Company	463	394	456

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3 - MATERIAL EVENTS DURING THE REPORTING PERIOD (continued):**

Condensed information taken from the statement of income

	For the three-month ended March 31		For the year ended December 31
	2010	2009	2009
	Unaudited		Audited
	NIS in million		
Revenues	442	438	1,727
Gross profit	142	136	562
Operating income	47	40	194
Net income	35	28	151

NOTE 4 - OPERATING SEGMENTS:

In accordance with IFRS 8, segment information is presented with respect to the Company's operating segments, based on the Company's managerial and internal reports ("managements' reports").

In these financial statements, the Company's breakdown into reportable operating segments in accordance with IFRS 8 was derived from management's reports, based on the Company's investment in each investee company, such that each of the Company's investees represents an operating segment. Certain investees that meet the criteria prescribed by IFRS 8 represent a reportable operating segment as stated below:

- a. Cement – The main company in the segment is Neshet, which is wholly-owned by Mashav Initiation and Development Ltd. ("Mashav") (ownership stake – 75%). The segment data presented in the financial statements are Mashav's consolidated financial data after neutralizing the Taavura's financial data.
- b. Taavura (ownership stake – 37.5%) – Taavura is engaged in the provision of transport, infrastructure and logistic services as well as imports and markets trucks, buses, heavy equipment and cranes and imports and markets automobiles in Europe as well as provides related services.
- c. Hadera Paper (ownership stake – 59%) is mainly engaged in the manufacture and marketing of packaging paper, collection and recycling of paper, manufacture and marketing of packaging and cardboard products, domestic paper products, disposable diapers, kitchen and cleaning products, as well as writing and printing paper. Regarding the achievement of control in Hadera Paper, see Note 11h(2) of the annual financial statement.
- d. Golf (ownership stake – 64%) – is mainly engaged in the marketing and selling of clothes fashion and home fashion products.
- e. Fundtech (ownership stake– 58%) - develops and markets software programs that are used by financial institutions, and provides related support services.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - OPERATING SEGMENTS (continued):

- f. CBI (ownership stake – 63%) – operates in the field of biotechnology by investing in companies and joint ventures in the area of life sciences, the majority of which are at various stages of research and clinical trials.
- g. Netvision (ownership stake – 31%) - a major supplier of communication services in Israel, is mainly engaged in providing Internet interconnection services, international telephony services and managed services (equipment and integrated communication networks and domestic telephony services (VoIP).

In the three month period ended on March 31, 2009, KBA Townbuilders Ltd. (hereinafter – "KBA") represented a reportable segment. In view of KBA's failure to comply with the provisions of IFRS 8 in 2009 and during the reporting period, KBA is no longer presented as a reportable segment. Accordingly, the comparative figures as of March 31, 2009 were restated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 4 - OPERATING SEGMENTS (continued):****Information on operating segments:**

	Cement	Taavura	Hadera Paper	Gold	Fundtech	CBI	Netvision	Others	Adjustments	Total
	(Unaudited)									
	NIS in million									
For the three-month period ended March 31, 2010:										
Segment's revenues:										
Revenues from external customers	386	536	252	168	125	5	316	540	(976)	1,352
Inter-segment revenues	-	10	5	-	-	-	-	3	(18)	-
	<u>386</u>	<u>546</u>	<u>257</u>	<u>168</u>	<u>125</u>	<u>5</u>	<u>316</u>	<u>543</u>	<u>(994)</u>	<u>1,352</u>
Net income	<u>59</u>	<u>31</u>	<u>22</u>	<u>24</u>	<u>4</u>	<u>(37)</u>	<u>18</u>	<u>15</u>	<u>(35)</u>	<u>101</u>
Attributed to:										
The Company's share	44	10	11	17	2	(17)	5	13	-	85
Others	15	21	11	7	2	(20)	13	2	(35)	16
	<u>59</u>	<u>31</u>	<u>22</u>	<u>24</u>	<u>4</u>	<u>(37)</u>	<u>18</u>	<u>15</u>	<u>(35)</u>	<u>101</u>
For the three-month period ended March 31, 2009:										
Segment's revenues:										
Revenues from external customers	400	508	255	174	106	59	311	565	(1,239)	1,139
Inter-segment revenues	-	8	6	-	-	-	-	3	(17)	-
	<u>400</u>	<u>516</u>	<u>261</u>	<u>174</u>	<u>106</u>	<u>59</u>	<u>311</u>	<u>568</u>	<u>(1,256)</u>	<u>1,139</u>
Net income	<u>48</u>	<u>25</u>	<u>19</u>	<u>38</u>	<u>(13)</u>	<u>32</u>	<u>24</u>	<u>(4)</u>	<u>(37)</u>	<u>132</u>
Attributed to:										
The Company's share	36	8	7	32	(7)	22	-	2	7	107
Others	12	17	12	6	(6)	10	24	(6)	(44)	25
	<u>48</u>	<u>25</u>	<u>19</u>	<u>38</u>	<u>(13)</u>	<u>32</u>	<u>24</u>	<u>(4)</u>	<u>(37)</u>	<u>132</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOTE 4 - OPERATING SEGMENTS (continued):

	Cement	Taavura	Hadera Paper	Gold	Fundtech	CBI	Netvision	Others	Adjustments	Total
	(Audited)									
	NIS in million									
For the year ended December 31, 2009:										
Segment's revenues:										
Revenues from external customers	1,632	2,142	1,075	709	475	142	1,256	2,405	(5,016)	4,820
Inter-segment revenues	-	39	27	-	-	-	-	6	(72)	-
	<u>1,632</u>	<u>2,181</u>	<u>1,102</u>	<u>709</u>	<u>475</u>	<u>142</u>	<u>1,256</u>	<u>2,411</u>	<u>(5,088)</u>	<u>4,820</u>
Net income	<u>300</u>	<u>130</u>	<u>175</u>	<u>120</u>	<u>15</u>	<u>56</u>	<u>89</u>	<u>44</u>	<u>(362)</u>	<u>567</u>
Attributed to:										
The Company's share	228	42	139	96	10	49	10	16	(140)	450
Non-controlling interests	72	88	36	24	5	7	79	28	(222)	117
	<u>300</u>	<u>130</u>	<u>175</u>	<u>120</u>	<u>15</u>	<u>56</u>	<u>89</u>	<u>44</u>	<u>(362)</u>	<u>567</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 4 - OPERATING SEGMENTS (continued):**

	Cement	Taavura	Hadera Papers	Gold	Fundtech	CBI	Netvision	Others	Adjustments	Total
	NIS in million									
As of March 31, 2010 (Unaudited):										
Segment's assets										
Assets	2,836	2,509	3,236	468	748	896	1,844	2,403	(3,695)	11,245
Inter-segment assets	-	4	-	-	-	-	-	2	(6)	-
Total assets	<u>2,836</u>	<u>2,513</u>	<u>3,236</u>	<u>468</u>	<u>748</u>	<u>896</u>	<u>1,844</u>	<u>2,405</u>	<u>(3,701)</u>	<u>11,245</u>
As of March 31, 2009 (Unaudited):										
Segment's assets										
Assets	2,737	2,518	2,007	394	783	462	1,683	2,856	(5,472)	7,968
Inter-segment assets	-	6	-	-	-	-	-	3	(9)	-
Total assets	<u>2,737</u>	<u>2,524</u>	<u>2,007</u>	<u>394</u>	<u>783</u>	<u>462</u>	<u>1,683</u>	<u>2,859</u>	<u>(5,481)</u>	<u>7,968</u>
As of December 31, 2009 (Audited):										
Segment's assets										
Assets	2,908	2,492	3,224	443	680	936	1,838	2,736	(3,978)	11,279
Inter-segment assets	-	4	-	-	-	-	-	1	(5)	-
Total assets	<u>2,908</u>	<u>2,496</u>	<u>3,224</u>	<u>443</u>	<u>680</u>	<u>936</u>	<u>1,838</u>	<u>2,737</u>	<u>(3,983)</u>	<u>11,279</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - CONTINGENT LIABILITIESa. General

The amounts of the claims below are presented in values as of the dates of the filing of the claims, unless stated otherwise.

As for litigations and contingent liabilities against investees of the Company, which are pending as of the date of approval of the annual financial statements, see note 24 of the annual financial statements.

b. Contingent liabilities and lawsuits filed and material developments during and subsequent to the reporting period:1. Netvision Ltd. (hereinafter – "Netvision")

- In January 2010, a lawsuit and motion to certify it as a class action was filed (Tzur's motion, hereinafter – "the plaintiffs") against 013 Netvision and other defendants ("the defendants").

The lawsuit argues that the defendants has a duty to incur the cost of customers calls to the service center. The plaintiffs allege that the defendants breached their duty, imposed by their licenses, to incur the cost of a call to the service center which provides solutions in matters pertaining to customer service.

The plaintiffs estimate that the amount of the claim is NIS 197 million, and 013 Netvision's share in this amount is estimated at NIS 36 million.

Netvision is studying the arguments of the claim and at this stage, is unable to estimate its chances of winning the claim or the claim's potential impact on Netvision.

- In January 2010, a lawsuit and motion to certify it as a class action was filed (Atara's motion, hereinafter – "the plaintiff") against 013 Netvision.

The lawsuit argues, among others, that the surfing speed provided to the plaintiff in practice was slower than the speed which Netvision has allegedly undertaken to provide in its Internet surfing package. The plaintiff claims that Netvision has this breached its contractual obligation toward him and misled him.

In the plaintiff's estimation, the amount of damages to be paid the group of customers amounts to NIS 56 million.

In Netvision's opinion, based on that of its legal advisors, at this stage, the chances that the motion to certify the lawsuit as a class actions do not exceed the chances that it will not be certified as a class action. Therefore, Netvision did not include any provision in its financial statements in respect of this lawsuit.

- In February 2010, a lawsuit and motion to certify it as a class action was filed (Ariav Magic's motion, hereinafter – "the plaintiff") against 013 Netvision.

The lawsuit argues, among others, that the plaintiff had agreed to Netvision's offer to upgrade his Internet surfing speed, while in practice the communications infrastructure (which the plaintiff claims is provided by Bezeq) has not permitted him to surf at the speed guaranteed by Netvision. The plaintiff claims that Netvision has misled him, breached its duty of proper disclosure and its agreement with the plaintiff.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - CONTINGENT LIABILITIES (continued):

In the plaintiff's estimation, the amount of damages to be paid the group of customers amounts to NIS 16 million.

Netvision is studying the arguments of the claim and at this stage, is unable to estimate its chances of winning the claim or the claim's potential impact on Netvision.

- In April 2010, a lawsuit and motion to certify it as a class action was filed (Shalem's motion, hereinafter – "the plaintiffs") against 013 Netvision. The lawsuit was submitted against Netvision in the District Court of Jerusalem.

The lawsuit contend, among others, that Netvision unlawfully charged various amounts of money from the plaintiffs and failed to connect the plaintiffs from its services on the date of request for disconnection. The plaintiffs claim that Netvision has misled them, violated several provisions of the Consumer Protection Law, violated the provisions of the agreement with them and unlawfully enriched itself.

The plaintiffs argue that there is justification to certify the lawsuit as a class action in the name of a group of Netvision customers, who subscribed to Netvision's Internet services, with no customer commitment or a short-term commitment and Netvision did not allow them to disconnect from its services at the end of the commitment period while continuing to collect payments for the disconnection of its services.

The plaintiffs request that the court instruct the Company to refund the amounts which the group of plaintiffs were overcharged, plus linkage and interest differences until the actual date of payment. In the plaintiff's estimation, the amount of financial damages to the group totals NIS 44 million.

Netvision is studying the arguments of the claim and at this stage, is unable to estimate its chances of winning the claim or the claim's potential impact on Netvision.

- Following the contents of note 24d(1)(e) of the annual financial statements, concerning the lawsuit and motion to certify it as a class action (Lankry's motion, hereinafter – "the plaintiffs") that was filed against Netvision and other companies (hereinafter – "the defendants") regarding the alleged non-reduction of subscription prices by the defendants by the rate of reduction in VAT, on March 23, 2010, the Tel Aviv District Court approved the plaintiff's withdrawal of the lawsuit and the motion to certify it as a class action, and therefore the lawsuit and the motion to certify it as a class action were dismissed. At the same time, the plaintiffs preserve the right to reinstate the lawsuit and the motion to certify as class action, until a verdict is handed down in another lawsuit (Beeri against the Haaretz Press), which concerns a similar matter.

2. Kitan Textile Industries Ltd. (hereinafter – "Kitan")

In April 2008 a lawsuit and motion to certify it as a class action was filed against Kitan, a wholly owned investee of the Company, under the Class Actions Law (hereinafter – "the lawsuit").

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - CONTINGENT LIABILITIES (continued):

The lawsuit alleges non-compliance with pollutant emissions standard at Kitan's plant in Dimona ("non-compliance"). The plaintiffs are seeking financial damages for impairment of autonomous will and placing the residents' health at risk and request that Kitan establish a fund for medical supervision.

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

On August 2, 2009, the parties signed a settlement agreement, pursuant to which Kitan has undertaken to carry out several inspection and maintenance actions, in order to reduce the level of pollutant emissions from the plant's chimneys, as well as other preventative measures, as provided in the agreement. The agreement further stipulated that the parties recommended to the Court that Kitan would pay the petitioners and their representatives immaterial amounts as damages.

In October 2009, two residents of Dimona filed an objection to the settlement arrangement (hereinafter – "opposition of Dimona residents"). In the objection it was contended that the settlement arrangement does not comply with the terms of the Class Action Law, that the arrangement is not reasonable, fair or appropriate, and that the arrangement does not constitute an effective and fair way to decide the dispute under the circumstances.

On January 7, 2010, an objection was filed to the settlement agreement by the State Attorney-General, on similar grounds to those of the objection filed by the residents of Dimona.

On March 28, 2010 Kitan and the petitioners submitted a response to the objection filed by the Dimona residents and the State Attorney General (hereinafter – "the response to the objections"). In the response to the objections, Kitan argued, *inter alia*, that the settlement agreement is beneficial to the members of the group, consistent with the objectives of the Class Action Law and adequately reflects the chances of the motion to be accepted.

On April 14, 2010 a hearing was held in the motion, during which it was agreed that the parties will enter into a negotiation process to amend the settlement agreement with mutual consent, and inform the court until July 11, 2010 if they had reached an agreed upon version of the amended settlement agreement.

The hearing on the case was scheduled for April 14, 2010.

In Kitan's opinion, based on that of its legal advisors, at this stage it is not possible to assess the chances of approval of the settlement agreement by the court. Kitan did not include a provision in the financial statements in respect of this claim.

In order to clarify the issue further, it should be noted that in the first quarter of 2004, an indictment was filed with the Beer-Sheba Magistrate Court against Kitan and some of its managers by the Ministry of the Environment. Kitan was sued for breaching and failing to uphold the conditions of the business license for its plant in Dimona as well as for violating the provisions of the law relating to environmental pollution, air pollution and sewage discharge. In April 2008, Kitan was convicted in said offenses. Under a plea bargain in which Kitan admitted to committing the said offenses, the company was fined NIS 450,000 and was instructed to comply with a an environmental improvement plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - DIVIDEND

- a. On March 21, 2010, the Board of Directors of the Company decided to distribute a cash dividend of NIS 180 million, representing 1.1430766 per each NIS 1 par value of shares. The dividend was distributed on April 31, 2010.
- b. On May 17, 2010, the Board of Directors of the Company decided to distribute a cash dividend of NIS 108 million, representing 0.685846 per each NIS 1 par value of shares, which will be distributed on June 15, 2010. The record day was set at May 30 2010 while the ex-date was set at May 31, 2010.

NOTE 7 - INTERESTED AND RELATED PARTIES

- a. Employment of Mr. Gil Morel by Nesher Israel Cement Enterprises Ltd. (hereinafter – "Nesher")

On April 28, 2010 the general meeting of shareholders of the Company (after obtaining the approval of the audit committee and the board of directors) approved a change in the terms of employment of Mr. Gil Morel, son-in-law of Messrs. Ruth Manor and Yitzhak Manor, who are shareholders of the Company.

For additional details, see note 31f(3) to the annual financial statements.

- b. Clalcom Ltd.

Regarding an amendment to the agreement between Clalcom and Mediterranean Nautilus Israel Ld, see note 31g(4) of the annual financial statements.

NOTE 8 - EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

- a. D-Pharm

In May 2010, Clal Biotechnologies Industries ("CBI") exercised 900,000 options (series 1) of D-Pharm a subsidiary, 47% held by CBI (51% fully diluted), in consideration for a total exercise price of NIS 15.7 million.

Soon after the aforementioned exercise, CBI entered into an off-exchange agreement with a third party, to sell 600,000 ordinary shares of D-Pharm and 150,000 options (series 1) of D-Pharm for a total consideration of NIS 14.2 million.

Subsequent to the said exercise and sale, CBI holds 46% of the issued and paid-up share capital of D-Pharm and 48% on a fully diluted basis.

CBI is examining the accounting implications of the decline in its stake in D-Pharm to below 50%, on a fully diluted basis.

In the event that CBI continues to consolidate the financial statements of D-Pharm, the transaction will be reflected in equity only. In CBI's opinion, this will not lead to a significant change in the distribution of equity capital among CBI's share holders and holders of non-controlling interests. In the event that CBI ceases to consolidate the financial statements of D-Pharm, the results of the transaction, taking into consideration the proceeds from the sale of securities as aforesaid and the fair value of D-Pharm's traded securities still held by CBI, will be recognized in the income statement. In CBI's estimation, the amount of gain or loss from the transaction in this case is not expected to be material.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE (continued):

In addition, in the event that the consolidation of D-Pharm's financial statements is discontinued, CBI will perform a purchase price allocation for the remaining investment in D-Pharm (PPA), pursuant to which a profit may be recorded which, as of the date of approval of the financial statements, cannot be estimated.

b. Dividend

With respect to a dividend declared after the balance sheet date, see note 6b above.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

APPENDIX - DETAILS OF INVESTMENTS* OF THE COMPANY AND WHOLLY OWNED COMPANIES AS OF MARCH 31, 2010

Listed companies	Ownership %	Amount of investment in NIS millions
Hadera Paper Ltd.	59%	996
Golf & Co. Group Ltd.	64%	224
Netvision Ltd.	31%	385
Fundtech Ltd.	58%	327
Clal Biotechnology Industries Ltd.	63%	280
Beit Shemesh Engines Holdings (1997) Ltd.	36%	33
Nova Measuring Instruments Ltd.	14%	71
		2,316
<u>Private companies</u>		
Mashav Initiating and Development Ltd.	75%	835
Kitan Consolidated Ltd.	100%	50
Arcadian Networks Inc.	12%	38
Jaf-Ora Ltd.	30%	111
F.B.R. Infinity Ventures (Israel) L.P.	39%	100
K.B.A. Townbuilders Group Ltd.	53%	10
Cargal Ltd.	26%	79
Clal Venture Capital Fund L.P.	67%	6
Millennium Materials Technologies Fund II L.P.	13%	10
Med 1 IC 1 (1991) Ltd.	31%	11
Infinity I-China Fund (Israel 2), L.P.	9%	34
Aternity Inc.	12%	7
Clal Energy Limited Partnership	100%	18
FBR Infinity II China	22%	6
Other private companies		7
		1,322
		3,638
Less investments in subsidiaries		(2,746)
With the addition of investments of subsidiaries		1,194
		2,086
		2,086

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