

Clal Industries Publishes its Financial Statements for the First Quarter of 2008:

The company reports sharp growth in the contribution of held companies to its current profit, which totaled NIS 94 million, compared with NIS 40 million during the corresponding quarter last year and NIS 274 million for all of 2007. An increase in financing expenses, mainly due to the continued weakening of the dollar exchange rate, led to a net current profit of NIS 29 million, compared with NIS 41 million during the corresponding quarter in 2007.

After inclusion of non recurrent effects, the net profit totaled NIS 8 million, compared with NIS 124 million for the corresponding quarter in 2007 (which was primarily due to the allocation of NIS 87 million in profits from the Netvision013Barak transaction to the first quarter of 2007, in conformance with the IFRS.

During the past quarter, Clal added the energy industry to its spheres of activity, when it established the Clal Energy Partnership, headed by Dan Vardi. Within the framework of the partnership to date, Clal (together with Ampal-Merhav) has signed its first agreements in the field of wind energy, and is pursuing its examination of the "Pumped Storage Power Station" project on the slopes of Mount Carmel. Concurrently, it is continuing to promote projects in the fields of electricity generation and natural gas of AIPM and Neshar. AIPM was the first industrial company in Israel to begin using natural gas as a central source of energy for its operations.

Avi Fischer and Zvika Livnat, Clal Industries' joint CEOs, had the following to say today about the financial results for the first quarter of 2008: "Despite the high financing expenses recorded during the past quarter, we are encouraged by the results of the operating companies. The growth in sales at most of the Group's companies, primarily Taavura, Neshar, AIPM, Golf, Fundtech and Cargal, continued during the initial months of 2008 as well, along with improvement in the profitability rates of Group companies, such as AIPM, Golf and Netvision013Barak.

"Fundtech successfully consummated its special tender offer in April, in which we invested some USD 26 million, so that Clal Industries' stake in Fundtech rose to 56.3%. The purchase of the minority shares in ClalCom for some NIS 26 million was also completed, bringing Clal Industries' aggregate holding of Netvision to some 26%. Clal Biotechnology Industries reported a cooperation agreement with Weizmann Institute, which is expected to increase Clal Biotechnology Industries' exposure to biotechnology entrepreneurs, while Clal Industries engaged in a similar cooperation agreement, which is expected to increase its exposure to other spheres, including alternative energy entrepreneurs."

The contribution of operational sectors rose sharply during the first quarter of 2008 and totaled NIS 94 million, compared with NIS 40 million during the corresponding quarter in 2007,

primarily thanks to the continued growth in income of most of the Group's companies, and improved results at AIPM, Golf and Netvision013Barak.

The following are the main events and highlights of Clal Industries' activities since the beginning of 2008:

- During the first quarter, AIPM presented a sharp increase in aggregate sales (from NIS 752 million in Q1/07 to NIS 847 million in Q1/08) and in aggregate operational profitability (from some NIS 29 million to NIS 60 million). During the first quarter, AIPM recorded significant improvement in its operating profit in Israel, alongside a sharp increase in sales in Turkey, while significantly reducing the operating loss from this activity. AIPM is making good progress in terms of its strategic plan in Turkey, and is continuing to develop its Huggies and Kotex brands. The investment in expanding the wrapping paper facilities was initiated (an investment of some USD 170 million, which was approved this year). In addition, AIPM became the first industrial enterprise to be connected to natural gas this year, a course of action effectively contributing some NIS 25 million to AIPM's net profit.
- The operations in the energy field have been centralized under Clal Energy, which was formally established in March of 2008, headed by Dan Vardi. The company is at different stages of examining alternative energy projects in Israel and abroad, including projects involving wind energy, pumped energy and solar energy. It should be noted that with regard to wind energy, the company has already engaged in its first agreements in Greece, and is progressing with its investigations in India and in Poland.
- Golf showed a strong first quarter, both in terms of the sales volumes and in terms of its bottom line – a net profit for the quarter of NIS 20 million. These are impressive results, considering that the Passover holiday and its impact on sales did not fall this year during the first quarter, but rather during the second quarter.
- Clal Biotechnology Industries (CBI) is continuing to thrive, with its rich and diverse portfolio on the one hand and substantial liquid balances on the other hand. D-Pharm is planning to carry out Phase III clinical trials according to a format agreed upon with the FDA; Mediound has completed an investment round at the sum of USD 30 million (according to a company value of USD 100 million, before the money), and the company has progressed with its Phase II trials in the United States and Phase III trials in Europe. The Phase III trial at Andromeda is proceeding, while the option agreement with Teva was replaced/amended, and there are expectations of an interim report. At the same time, Curetech reports the continuation of its Phase II trial.
- The volume of sales at Netvision increased by some 30% compared with the corresponding quarter in 2007, to some NIS 300 million. The company attained a net profit of NIS 27 million, thanks to the expanded scope of the operations and the first fruits of the merger process.
- Fundtech also recorded a strong quarter and confirms its sales forecast of an aggregate volume exceeding USD 120 million in 2008.
- In April 2008, Clal Industries completed the last part of a transaction for the sale of its holdings in most of the start-up companies at Clal Industries, which were characterized by marginal holdings, and which were managed for the Company by the IMS management company for the consideration of USD 20 million.
- The amounts raised for the unique Infinity-Israel-China Fund, which had announced an overall fund-raising target of USD 350 million, have already reached the USD 300 million

mark, of which some USD 80 million are from Chinese investors, while some USD 70 million are from other foreign investors.

Clal Industries is an active partner in the Fund's management company, in which Avi Fischer serves as chairman. The Fund's business model is based on Israeli and Chinese investments in Israeli companies that are expanding their activities to China. At the same time, investments will also be made in Chinese companies that can assimilate Israeli technologies. To date, the Fund has invested some USD 13 million in Mate and in Mango DSP.

The Fund has strategic partnerships in China with the CSVC/SIP investment group, the Digital China Company and the China Development Bank. Some USD 24 million has been received in consideration for the Saifun – Spansion transaction.

Breakdown of profit according to operational sectors¹ (in NIS millions)

	Three months ending 31 March 2008			Three months ending 31 March 2007		
	Current	Other ²	Total	Current	Other ⁴	Total
Operational segments						
Cement	35	-	35	41	(3)	38
Textiles	12	-	12	1	0	1
Advanced technology and funds	(4)	(20)	(24)	3	(7)	(4)
Biotechnology	(18)	-	(18)	(8)	(1)	(9)
Communications services	4	(1)	3	(12)	90	78
Real estate	39	-	39	1	-	1
Commerce and accompanying services	6	-	6	3	-	3
Shipping services infrastructures and logistics	6	-	6	8	-	8
Other	14	-	14	3	4	7
	94	(21)	73	40	83	123
Financing and headquarters	(65)		(65)	1	-	1
Net profit	29	(21)	8	41	83	124

Data NIS of main investee companies and their contributions to profit

The following table presents data from the financial statements of the principal investee companies. The data are presented according to each company's functional currency:

	<u>Income</u>			<u>Net profit (loss)</u>		
	For the 3 months ending 31 March		For the year ending 31 December	For the 3 months ending 31 March		For the year ending 31 December
	2008	2007	2007	2008	2007	2007
Companies preparing financial statements in NIS (in NIS millions)						
Mashav	601	544	2,281	63	65	268
Golf	162	160	664	20	(1)	61

¹ Following the increase in activity in shipping services, infrastructures and logistics, as a result of the consolidation of a Ta'avura subsidiary, the Company is now presenting shipping services, infrastructures and logistics operations as a sector.

² Including the results of the realization of investments, revaluation of investments, and nonrecurrent effects.

CBI	3	12	90	(28)	(9)	(10)
Netvision	300	232	1,147	27	(7)	19
AIPM	143	137	584	21	(4)	32
Company preparing financial statements in USD (in USD millions)						
Fundtech³	USD28	USD23	USD105	USD0.3	USD0.4	USD7

The following table presents the contribution to profit (loss)⁴ of the principal companies (in NIS millions):

	For the 3 months ending 31 March		For the year ending 31 December
	<u>2008</u>	<u>2007</u>	<u>2007</u>
Mashav	47	49	201
Golf	15	(1)	46
Fundtech	1	1	9
CBI	(18)	(7)	(7)
Netvision	2	(5)	(7)
AIPM	8	(2)	12

Generally, the results of most of the Group's companies in the local market were influenced by maintaining the level of demand. The maintenance of operations at a relatively high volume, coupled with the positive impact of efficiency measures being implemented by most of the companies of the Group, and notwithstanding the energy price hikes and the rise in the financing expenses compared with corresponding periods in 2007, have led to an improvement in the results and to the presentation of a net profit for the quarter by all principal companies.

Sincerely,

Ron Rahav
Spokesman, Clal Industries

³ Relates to financial statements published by Fundtech, in conformance with generally accepted accounting principles in the United States. The company includes Fundtech's results in conformance with the IFRS.

⁴ The company's contribution to the net profit does not include: profits from realization of investments, amortizations (other than debit differentials) and nonrecurrent effects in the company in respect of its investment in the investee company.