

CLAL INVESTMENTS TODAY REPORTED A PROFIT OF NIS 55 MILLION IN THE SECOND QUARTER OF 2006 AND NIS 131 MILLION IN THE FIRST HALF OF THE YEAR

THE BOARD OF DIRECTORS OF THE COMPANY ANNOUNCED THE DISTRIBUTION OF A CASH DIVIDEND IN A SUM OF NIS 84 MILLION (ABOUT NIS 0.53 PER SHARE)

The board of directors of the Company, which met today in Haifa, also resolved to increase the Company's donations budget by an amount of one million shekels, to a sum in excess of NIS 4 million, which was already budgeted for 2006. The vast majority of the additional amount is intended to assist in the rehabilitation of war damage in the north of the country.

Avi Fischer and Zvika Livnat, joint CEOs of Clal Industries, stated in this regard: "The results of the first half of 2006 represent a direct continuation of the consistent profitability of Clal Industries over the last three years. In this quarter the impressive business results of Golf are especially prominent following its successful public flotation, and the record results which Barak 013 has reported".

Clal Industries today reported a profit of NIS 55 million in the second quarter of 2006 (as compared with NIS 53 million in the second quarter last year), and NIS 131 million in the first half of 2006, as compared with NIS 154 million in the corresponding period last year (NIS 78 million of the total profit last year emanated from a transaction for realization of real estate, that was exceptional in its proportions, in K.V.A.).

The contribution of the subsidiaries and affiliates in the second quarter rose from NIS 75 million to approximately NIS 99 million, primarily due to the contribution of Mashav, Golf and Barak 013.

The following are the main events and highlights in CII's activities from the beginning of 2006 to the present:

- Record results at Golf, which reports a profit of NIS 17 million in the second quarter and NIS 25 million since the beginning of the year, after having been publicly floated at the beginning of March in the course of a capital gain of NIS 33 million being recorded at CII.
- Barak reported its record quarter – a volume of sales of approximately NIS 188 million and a profit of NIS 61 million in the second quarter of 2006!

The process for a combined investment in Barak by Sky Fund and CII in shares and debentures, which is on the point of being concluded, will make it possible to repay the balance of all the bonds. Concurrently, there has been immense progress towards a possible merger between Barak, NetVision and Globecall, would will create a company having sales to an extent of more than one billion new shekels and an EBITDA of about NIS 200 million.

- **An improvement in sales of most of the group's principal companies, coupled with a continued improvement in the operating profits of prominent companies such as Nesher, Golf, Barak and Jafora, both in the quarter as well as in the first six months.**
- **Finalizing the bringing in of Teva as a strategic partner in Clal Biotechnology Industries and the signing of the Teva-Curetech transaction, coupled with giving Teva the possibility of completing a full acquisition of Curetech in the future at significant exit values.**
- **Completion of rounds of raising of investments in D-Pharm and in Medivend, led by outside investors, with D-Pharm being rated in the "Red Herring" survey as being amongst the 100 most promising companies in Europe in 2006.**
- **A successful secondary issue for Saifun on the NASDAQ to an extent of \$133 million, in the framework of which CII realized shares to an extent of approximately \$3.8 million and remained the second largest shareholder in the Company, with holdings of about 9.1% in Saifun.**
- **Powerpaper – the company, which was also rated by the "Red Herring" as one of the 100 most promising companies in Europe in 2006, completed a successful launch of the first product, which was marketed through Estee Lauder in the USA.**
- **In the Infinity Fund which is held by CII to an extent of approximately 39%, an additional three exits were recorded and altogether nine since the beginning of 2005. The exits that were made in Infinity in the first half of the year were – Sightline was sold to Striker for about \$140 million, Identify was acquired by BMC in consideration for a sum of about \$150 million, and Proactivity was sold to EMC for an amount of \$22.5 million (Infinity's share - \$6.3 million).**

CII's investments thus far in 2006 total in the vicinity of NIS 66 million, primarily in Barak directly, and in American Paper Mills – coupled with an increase in the percentage holdings therein to about 38.1%.

Yours truly,
Ran Rahav
Spokesman Clal Industries