

**Clal Industries Reports Profit of NIS 86 Million in
2006 Third Quarter
and NIS 217 Million Since the Beginning of the Year**

**Company Board of Directors Announces Cash
Dividend of NIS 77 Million
(about NIS 0.49 per share)**

**Clal Industries Joint General Managers Avi Fischer and Zvika Livnat said:
"The 2006 business results, including the third quarter results, reflect the
continuing upturn in the operating profits of most of the Group companies, and
the fruits of value-enhancing business and financial measures taken in the
Group on a continual basis.**

**"The results of the third quarter, which were impacted by the war in the north,
reflect the Group's stability and robustness. In this quarter the impressive
business results of Golf are particularly noteworthy, following a successful share
issue, the record results produced by Barak, and the continuing improvement in
the biotech sector."**

**Clal Industries reports a 2006 third quarter profit of NIS 86 million, compared
with NIS 91 million in last year's third quarter, and NIS 217 million since the
beginning of the year compared with NIS 245 in the corresponding period last
year.**

**In addition, the contribution of the activities sectors grew to NIS 126 million
(compared with NIS 123 million in the same quarter last year), and to NIS 314
million from the beginning of the year (NIS 310 in the same period of 2005).**

**Most of the Group companies also maintained sales growth in the quarter and
through the year, as well as increases in operating profit.**

**Returns on equity in the third quarter of 2006 totaled 20%, and 14%
accumulated in 2006.**

**Returns on dividends since the beginning of the year (including the declared
dividend) grew to about 14%, compared with 9% in the corresponding period
last year.**

Principal events and emphases in Clal Industries activities since the beginning of 2006:

- Barak (in which Clal Industries has a 70% holding) has reported its best year since its founding, with sales of about NIS 545 million in the first nine months of 2006 (compared with NIS 488 in the same period last year), operating profit of NIS 95 million (up from NIS 58 million in 2005), and net profit of NIS 234 million since the beginning of the year, including NIS 118 million from early redemption of bonds (compared with a loss of NIS 40 million in the first nine months of 2005).
- Significant progress has been achieved towards completing a merger between Barak, Netvision and Globcall which will create a tradable company with sales potential of in excess of NIS 1 billion and EBITDA of around NIS 200 million. Clal Industries will have a share of about 30% in the merged company (26% with full dilution) and will be the largest shareholder in the company.
- A strategic plan for investing in the AIPM group in Turkey has been approved, together with the world Kimberly-Clark group (KC). Approval has also been given for investment of around \$140 million in a packaging paper machine that uses recycled paper.
- Record results by Golf, which has reported a profit of NIS 36 million since the beginning of 2006, compared with NIS 25 million in the parallel 2005 period. After conducting a share issue in early March, and recording capital gains of NIS 33 million by Clal Industries, Golf is now traded at a value of close to NIS 560 million.
- There has been an upturn in the sales of most of the main Group companies, along with continued improvement in leading companies' operating profits – such as Mashav, Golf, AIPM and Jafora – in the quarter and in aggregate totals since the beginning of the year.
- Significant progress made by the biotech sector companies:
 - D-Pharm (Clal Biotechnology Industries holding – 33%), ranked in the Red Herring survey among the 100 most promising companies in Europe in 2006, has for the first time signed a licensing agreement for marketing its main product (developing drugs for strokes) in South Korea.
 - Mediwound (Clal Biotechnology Industries holding – 74%) is making progress in phase III in Europe and, at Curetech (54%), progress has been made with development work on a drug for cancer (ahead of phase II), with full funding by Teva.
- The Infinity Fund (Clal Industries holding – around 39%) recorded nine exits in the last 18 months, including Sightline sold to Striker for about \$140 million, Identify acquired by BMC for around \$150 million, and Proactivity which was sold to EMC for \$22.5 million (where Infinity's share was \$6.3 million). Iomai was issued on NASDAQ, and the Maayan incubator was issued in Israel.
- Clal Industries investments in 2006 to date total in excess of NIS 250 million (including a direct investment of about NIS 20 million made by Clal Biotechnology Industries).

Sincerely,
Ran Rahav
Spokesperson, Clal Industries
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