

Clal Industries and Investments today reported a profit of NIS 407 million, as compared with a profit of NIS 320 million in 2004 and a loss of NIS 129 million in 2003

The Company announces the distribution of a cash dividend of NIS 270 million (approximately NIS 1.72 per share)

Avi Fisher and Zvika Livnat, joint CEOs of Clal Industries, stated in this regard: “The business results for 2005 in particular and in the last two and a half years in general, reflect a continued improvement which had taken place in the volume of sales as well as in the operating and net profits of the Group’s companies, and in consequence thereof in the profits of CII. The continuing trend towards improvement is conspicuous in the industrial companies and primarily Nesher, Taavura, Golf, Kitan Industries, Cargal, Jafora, and also the principal high-tech companies, including ECI, Saifun and Fundtech.”

The contribution of the affiliated companies to the joint profit in 2005 totaled NIS 296 million, more than double as compared with the corresponding period last year (NIS 123 million). The effect of capital gains, realizations and one-time effects in 2005 was positive and amounted to approximately NIS 203 million, mainly due to completion of the sale of assets of SVN to HP and consummation of the Med Nautilus transaction.

Material moves made by CII in 2005 and the beginning of 2006:

- The investment agreement by Teva in Clal Biotechnology Industries, which represents recognition of the potential inherent in Clal Biotechnology Industries and in the management team.
- Successful public offering of Saifun on the NASDAQ November 2005 which emphasizes the correctness of the substantial investment in Saifun (\$31 million) at the end of 2004 and gives a big boost in value to CII shareholders.
- Sale of assets of Scitex Vision (SVN) to HP – completion of the sale produced significant capital gains for CII to an extent of approximately NIS 149 million in the fourth quarter of the year.
- Golf & Co. was successfully floated at the beginning of March 2006, and is now being traded at more than NIS 400 million. As a consequence of the public offering Clal Industries will record a capital gain amounting to between NIS 30 and 40 million.
- The financing arrangement for Barak was completed, the Med transaction was completed and a business turnaround was performed in Shellcase.

All of this along with additional positive indications that continue to be obtained in most of the growth companies.

CII’s investments in 2005 amounted to more than NIS 260 million. The most prominent investments were in Barak (in the course of increasing the cumulative holdings to approximately 82%), an increase in holdings in AIPM, in Beit Shemesh Engines and in PowerPaper, and in Infinity Fund, which serves as the Group’s chief venture capital vehicle.

From the beginning of 2006 additional investments of approximately NIS 30 million have been made, mainly in AIPM.

Data of the main affiliated companies¹ and their contribution to profit.

The following are data from the financial statements of the major affiliated companies. The data are presented according to the currency of operation of each company (in millions):

	Sales					
	For the year ended			For 3 months ending		
	December 31,			December 31,		
	2005	2004	2003	2005	2004	2003
Companies drawing up financial statements in NIS:						
Mashav	1,771	1,520	1,433	440	361	427
Kitan	876	831	783	228	237	217
AIPM	482	483	465	118	125	120
Companies drawing up financial statements in dollars:						
ECI	\$630	\$497	\$393	\$169	\$140	\$103
Fundtech	\$74	\$59	\$48	\$20	\$18	\$13

	Net Profit (loss) ²					
	For the year ended			For 3 months ending		
	December 31,			December 31,		
	2005	2004	2003	2005	2004	2003
Companies drawing up financial statements in NIS:						
Mashav	205	190	59	28	32	2
Kitan	61	11	(4)	21	2	(2)
AIPM	45	63	60	8	6	15
Companies drawing up financial statements in dollars:						
ECI	\$40	\$10	(\$71)	\$8	\$9	(\$14)
Scailex	\$106	\$47	\$1.4	\$98	(\$3)	\$8
Fundtech	\$4.3	\$2.5	\$0.1	\$1.6	\$1.1	\$0.7

¹ Relates to the financial statements which ECI, Scailex and Fundtech published in accordance with accepted accounting principles in the USA. The Company includes the results of these companies in accordance with accepted accounting principles in Israel.

² Net profit (loss) includes profits from the realization of investments, deductions and one-time effects.

The following is the contribution to profits of the major companies (in millions of NIS):

	For the year ended December 31,			For 3 months ending December 31,		
	2005	2004	2003	2005	2004	2003
Mashav	152	141	44.5	21	24	2
Kitan	60	18	1	16	4	-
AIPM	18	20	21	3	1	5
ECI	36	(1)	(47)	4	(2)	(10)
Scailex	126	60	(4)	119	-	6
Fundtech	4	3	-	2	1	1

In general, the results of most of the Group's companies in the domestic market were affected by a maintaining of the level of demand also as a result of the continued relative calm in the security situation. The Group's companies which are active in the high-tech field were generally affected by a continued growth in purchases of capital equipment abroad, a factor which contributed to an increase in the volumes of sales in this sector. Maintaining the level of activity on a relatively high scale, coupled with the positive influence of the steps towards efficiency and streamlining that have been invoked in most of the Group's companies, and notwithstanding the upswing in energy prices in relation to the corresponding periods last year, led to an improvement in results and to the presentation of a net profit in the reporting year and in the quarter in the majority of the principal companies.

In addition, the relative stability in the capital markets in Israel and around the world contributed to a convenient business environment for the raising of debt at convenient prices and to an improvement in the financial stability in some of the Group's companies. Changes in the global and domestic business environment, including political uncertainty, on the one hand, and a worsening in the levels of prices and interest rates on the capital markets in Israel and around the world, on the other hand, are likely to have an adverse affect on the results of the Group's companies.

Yours truly,

Ran Rahav

Spokesman – Clal Industries & Investments