

January 8, 2007

Press Release

Clal Industries and Investments Ltd.

Maalot, a strategic partner of Standard & Poor's, announces that it has issued an AA/stable rating for up to NIS 150 million of bonds that will be issued by Clal Industries and Investments Ltd. (hereinafter "the company" or "CII"), in a new private issue (that might be registered for trading in the future). The bonds have an average life of 9 years. Most of the proceeds from the issue will serve the company for investments and for rescheduling of existing debt.

The rating is also applicable for bond series in circulation.

"Do you invest in mutual funds? Are you interested in fund ratings? Updated information can be found at Maalot's mutual funds' rating internet site - www.maalot-funds.co.il."

You can register as a subscriber at Maalot's site - www.maalot.co.il.

January 8, 2007

Mr. Gonen Bieber,
Chief Financial Officer
Clal Industries and Investments Ltd.

Dear Mr. Bieber,

Re: Bonds Rating

We hereby inform you that the rating committee of the Board of Directors of Maalot has issued an AA/Stable rating for bonds that will be issued by Clal Industries and Investments Ltd. through a private issue to institutional parties in the amount of NIS 150 million. Most of the proceeds from the issue will serve the company for investments and for rescheduling of existing debt.

The rating is based, inter alia, on the intended use of issue funds, and on the business and financial policies of the company as detailed in the main considerations for rating.

Yours very truly,

Gadi Be'eri
Chief Financial Officer and interim Chief Executive Officer

Copies:
Amos Sapir, Chairman
Dorit Slinger, Chief Executive Officer

Main Considerations Used in the Rating

Clal Industries and Investments Ltd.

Company Analysts:

Eli Cohen
Itzhak Maisi

January 2007

Maalot's ratings are based on information received from the company and other sources, which we believe to be dependable. Maalot does not review the information that is received and does not confirm its accuracy or completeness.

Maalot's ratings do not reflect the risks resulting from and/or related to breaches, either through acts or omissions, of any of the commitments included in the bond documents and/or any incorrect or inexact presentation included in the documents related to the issue of bonds the subject of this rating, the Maalot report, or the facts which served as a basis for an opinion that was given to Maalot as a condition for receiving a rating, actions or omissions carried out with the intent to commit fraud or deceit or any other unlawful action.

The ratings may change as a result of changes in information received, or for other reasons. The rating should not be considered as an opinion regarding the price of securities in the initial or secondary markets. The rating should not be considered as an opinion on the advisability of the purchase, sale or holding of any security.

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Bonds Outstanding

Series Rating	Series Name	Date of Issue	Balance Sheet Value (in NIS million) on 30 Sept. 2006	Nominal Interest Rate	Linkage Base	Repayment date of Principal
AA/Stable	Series I	August '01	82	5.7%	CPI	2006-2012
AA/Stable	Series K	November '03	144	6.0%	CPI	2007-2013
AA/Stable	Series L	May '05	589	4.4%	CPI	2009-2013
AA/Stable	Series M	June '05	622	4.5%	CPI	2013-2017
Total bonds outstanding			1,437			

New Issue of Bonds

Clal Industries and Investments Ltd., (hereinafter: "the company" or "CII") intends to issue NIS 150 million of bonds in a new private series (which might be registered for trading in the future), with an average life of nine years. Most of the proceeds from the issue will serve the company for investments and for rescheduling of existing debt.

Main Considerations Used in the Ratings

General

CII, 60.5% held by IDB Development (rated AA by Maalot), is a public holding company which focuses on investments in the following fields: cement (through Mashav which in turn holds Neshar), textiles and the retail trade (through the Kitan concern which in turn holds Golf), technology (through ECI, Saifun, Fundtech and in biotechnology through Clal Biotechnology), in communications (through Clalcom and Barak), and in industry (through American Israeli Paper Mills - AIPM, Jafora and Cargal). The investments in startup companies in the technology and biotechnology fields represent only a small portion of the total value of the investment portfolio, but they have been a significant part of the ongoing investment needs of the company during the last few years. During the first nine months of 2006, company investments totaled NIS 155 million, of which half were focused on Arcadian¹. In Maalot's opinion, the company is expected to continue looking for new investments (in Israel and abroad), inter alia, in startup companies, and at the same time, to take advantage of opportunities to increase its holdings in significant companies currently held in its portfolio.

Maalot's ratings are based on a number of qualitative and quantitative parameters which check the business position and financial stability of the company. Accordingly, Maalot's rating reflects the strong business position of the company and of the companies in its holding; the value of the investment portfolio which is estimated at NIS 5.3 billion (see calculation details below); the spread of the investment portfolio; the business and financial position of its principle holdings (Mashav, Neshar, AIPM); its belonging to the IDB group; the control over most of its companies which are held either directly or indirectly; senior management that is well experienced and professional, with proven goodwill; the strong financial position of the company which is reflected in the adjusted value of its holdings plus cash vis-a-vis a financial

¹ Purchase of 14.6% of the company, which specializes in providing communications solutions for utility companies in the United States.

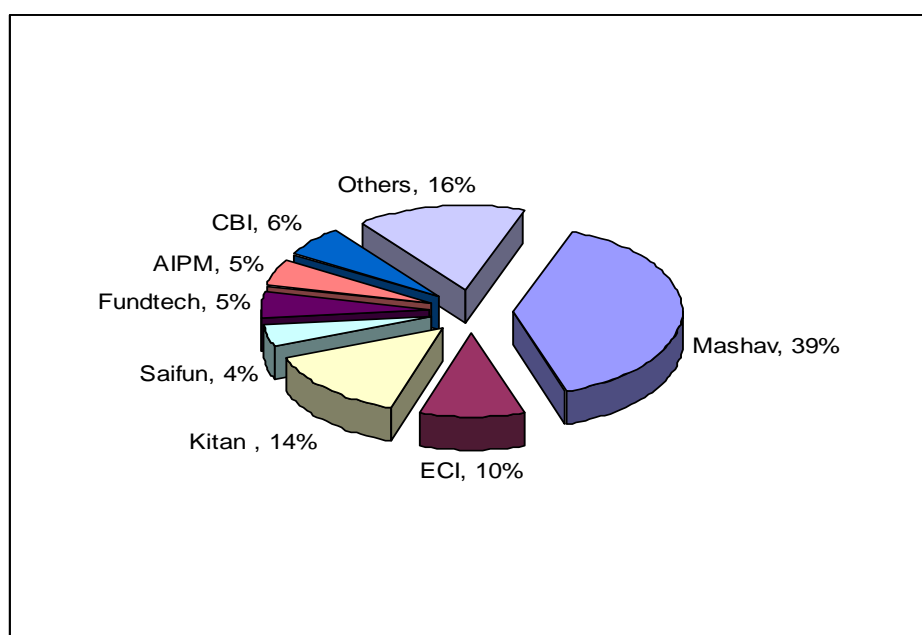
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debt of 3.8²; current cash flows provided by the leading companies in the group. The company has distributed all its retained earnings as dividends to its shareholders (retained earnings at present total NIS 9 million). In Maalot's opinion, the company will continue with this policy.

The adjusted value of holdings is estimated by Maalot on the basis of the market value of its marketable holdings³ and the balance sheet value of its private companies, plus the value to Mashav, Barak, Kitan and CBI (Clal Biotechnology Industries Ltd.), based on assumptions and estimates of value that were prepared by outside parties and based on the market price of Golf (held by Kitan) and coefficients which were applied by Maalot, as deemed necessary.

The following is a breakdown of the company's investment portfolio, according to the economic value of its companies:



Mashav is 75% held by the company and is rated AA by Maalot.

Mashav has full ownership of Neshet which is also rated at AA by Maalot, and owns 50% of the Ta'avura Group, which is rated AA- by Maalot.

AIPM is 38% held by the company and is rated AA- by Maalot.

Summary of financial data:

Company income for the first nine months of 2006 totaled NIS 217 million, compared with NIS 245 million in the corresponding period last year. As the company is an investment company with operations in advanced technology and in biotechnology, net income includes current income plus gains on disposals of investments, revaluations of investments, and one-time factors. Current income (without management and financing expenses) during the first

² Includes adjustments for a liquid portfolio, as detailed below.

³ Market value on January 3, 2007.

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nine months of 2006 totaled NIS 190 million, and resulted mainly from operations in cement (NIS 116 million). Current income (without management and financing expenses) during the first nine months of 2005 totaled NIS 259 million, and resulted mainly from the sale of land by KBA (NIS 88 million) and the issue of Golf on the Tel Aviv Stock Exchange. Gains on disposals of investments during the first nine months of 2006 totaled NIS 124 million and resulted mainly from the sale of Scailex, compared with gains on disposal of NIS 51 million during the corresponding period last year.

The financial needs of the company are derived from its current expenses, the distribution of dividends and the investments that the company will make in its present investment portfolio or, alternatively, in new investments. Maalot has examined the company's financial ratios, inter alia, by using its pro forma financial statements, which include the company and its fully controlled consolidated companies which are extensions of the company for debt issues and general expenses ("Koma Report"⁴).

At the beginning of January 2007 the value of the company's portfolio totaled NIS 5.3 billion. Under a pro forma scenario which includes the present debt issue (NIS 150 million), the company has NIS 531 million in cash, after the dividend payment of December 2006. As the company tends to maintain a minimum liquid portfolio of NIS 150 million, Maalot examined the relationship between the adjusted value of its holdings plus cash, and its gross debt, less the liquid financial assets, which the company tends to hold. According to said calculation, the ratio is 3.8. Maalot believes that a rating of AA for the company bonds requires maintaining a ratio between adjusted value of holdings plus cash to gross financial debt of not less than 3.5. A drop below this ratio could damage the rating. The ratio of adjusted value of holdings to net debt⁵ is 4.8.

Maalot believes that the company's financial stability is strong and solid, as reflected in its debt to CAP ratio⁶ of 46%. This ratio is better than the average ratio of similar holding companies.

The ratio of the company's cash flow coverage is better than similar companies rated by Maalot. The ratio between income from dividends and management fees to operating and financing expenses was 2.8 during the first nine months of 2006, compared with 2.6 in 2005 and 2.5 in 2004. The excess of income over operating expenses enables the holding companies to distribute dividends or to enlarge their investment portfolio.

In Maalot's opinion, the company will distribute dividends on a regular basis, as long as it has retained earnings available. As of September 30, 2006, the company had retained earnings of NIS 9 million (after the December 2006 dividend distribution of NIS 77 million). During 2005, dividends received from the companies held totaled NIS 289 million while dividends that were distributed to company shareholders totaled NIS 288 million. In Maalot's opinion, the high marketability of some of the company's holdings (some 38% of the adjusted value of the company's investment portfolio is invested in public companies) and the positive trend in the capital market make it easy for the company to access financing sources.

⁴ The "Koma Report" was prepared by the company but was not reviewed by the company's external auditor.

⁵ Financial debt less liquid portfolio.

⁶ Financial debt plus shareholders' equity.