

Clal Industries and Investments reports today a profit of NIS 265 million for the year 2006

Avi Fischer and Zvika Livnat, the co-Chief Executive Officers of Clal Industries stated:

"During the year 2006, the volume of sales of most of the companies in the group continued to increase, and at the same time there was an improvement in the operating profitability of the main companies, such as Mashav, Golf and Barak. In 2006, the initial public offering of shares in Golf was carried out successfully, and the share price has increased by more than 100% since the time of issue. We are encouraged by the very positive developments in a number of companies in the biotech field. In our opinion, the business and financial steps being taken by all the companies in the group, in order to enhance added value, will lead to even better results in 2007."

The contribution of the operating sectors to the current profit amounted to NIS 237 million, as compared with NIS 218 million in 2005 (after neutralizing an exceptionally large real estate transaction in KBA in 2005.

The yield on shareholders' equity amounted to 15% in the year 2006, whereas the dividend yield grew and amounted to some 16%, as compared with 9% in the comparative period in the previous year.

The investments made by Clal Industries and Investments since the beginning of 2006 amount to more than NIS 250 million (including the direct investment of some NIS 20 million that was made by Clal Biotechnology Industries).

The following are the main events and highlights in the activities of Clal Industries and Investments since the beginning of 2006:

- Barak has produced a record year – the best since it was founded – with a sales volume of some NIS 720 million in 2006 (as compared with NIS 659 million in the comparative period in 2005), an operating profit of NIS 113 million (as compared with NIS 89 million in 2005) and a net profit of NIS 261 million (which includes NIS 118 from the early repayment of bonds), as compared with a loss of NIS 25 million in 2005.
- The merger of Barak with Netvision and Globalcall, which was completed recently, created a company with a market value of some 350 million dollars, with an (estimated) sales volume of more than NIS 1.2 billion, where Clal Industries and Investments is the largest shareholder (about 30%).
- Record results at Golf, which reports sales of NIS 620 million and a net profit of NIS 57 million in 2006 (as compared with NIS 553 and NIS 40 million respectively, in the previous year). The company, which made a public offering in March and an additional offering in December, was responsible for the recording of an overall capital gain of some NIS 52 million by Clal Industries and Investments, and it is now traded at a market value of close to NIS 690 million, an increase of more than 100% from the time of issue to the present date.
- At American Israel Paper Mills, the strategic plan to expand the company's activities in Turkey in partnership with Kimberly Clark, a company with world-wide operations, is being implemented at full speed, while massive investments in market penetration and expansion of activities in Turkey are continuing. In parallel, approval was given for the investment of some 140 million dollars in machinery for paper packaging, based on the use of recycled paper.

- **Significant progress by companies in the biotech sector**

D-Pharm (34% owned by Clal Biotechnology Industries) – the company has successfully completed the phase IIb clinical trials for a stroke treatment drug. The success of the trials has positioned D-Pharm as one of the few companies in the world that has successfully completed this development stage for such a drug.

Mediwound (74% owned by Clal Biotechnology Industries) – a term sheet has been signed with a strategic investor, who is expected to invest 15 million dollars at a company valuation of some 100 million dollars. The company, which is engaged in the development and marketing of medical products for the treatment of burns and wounds, has a product that is already undergoing Phase III trials (the most advanced stage) in Europe.

CureTech (54%) – progress has been recorded in the trial for the development of a drug for treating cancer (in advance of the Phase II trials), with full financing from the Teva company.

- **Exits in the Infinity funds and the setting up of a new fund:**

Six exits were recorded in the Infinity fund, of which about 39% is held by Clal Industries and Investments, further to the 5 exits recorded in 2005.

Infinity is raising a third fund, specializing in China, called Infinity Israel-China, and this fund is already benefiting from close ties with its Chinese partners and the Suzhou Industrial Park.

The first closing is planned to take place in the next few weeks and is expected to reach some 150 million Dollars.

Yours sincerely,

Ran Rahav

Spokesman for Clal Industries